Compliance Promotion System

Sanyo has established a set of basic rules for compliance management, and CEO is responsible for the overall compliance management. We also have compliance promotion systems in each of our Business Groups, and activities to make employees aware of the importance of compliance and to prevent violations are carried out under Compliance Leaders appointed by the heads of each Business Group. The CSR Unit assists to strengthen these compliance activities.

Progress in Compliance Management

To remind them of the importance of compliance, we regularly carry out training sessions for directors, officers, and employees; conduct surveys of the compliance mindset of employees by questionnaire and announce such activities in our in-house bulletin. In addition, we have established reporting routes for emergencies, such as violations of laws and regulations, and have set up a hotline system for employees to make inquiries or to seek advice about compliance matters by telephone or e-mail.

ENVIRONMENTAL ISSUES

What commitment does Sanyo have to environmental preservation?

Seeking a Sustainable Society Where Environmental Preservation and Economic Activities Exist in Harmony

Our industrial activities and even our lifestyles are the source of global warming, large volumes of waste, and chemical substance pollution—placing a heavy burden on the environment. If we do not conquer these environmental problems, there will be a limit to the activities we can sustain, and the very foundations of our existence could be threatened.

Recognizing and Reducing the Environmental Impact of Our Businesses

The manufacturing industry is responsible for the use of huge amounts of energy and the production of large amounts of waste during the product cycle of development, design, manufacturing, sale, and use and disposal. Manufacturers need to recognize the substantial impact of their businesses on the environment and to take steps to reduce it.

Steady Advances in the Sanyo Group's Environmental Activities

In 1998, the Sanyo Group devised an environmental action plan, Action E21, based on the slogan, "We care for people and the earth." We reinforced the environmental activities endorsed by that plan in 2000 by introducing a groupwide environmental management system (GEMS). Today, Sanyo promotes environmental preservation using a threefold approach of process, products, and mind.

Specifically, we establish concrete three-year objectives and one-year environmental targets for wide-ranging problems. The environmental issues addressed include reducing our emission of greenhouse gases, decreasing our production of waste, lowering our emissions of environmentally harmful chemicals and eliminating the use of hazardous substances in production, and increasing our development and number of environmentally friendly products and technologies. During the fiscal year under review, we met our environmental goals in every category.

The goals of Action E21 are reviewed and revised annually. Almost all of the revisions raise the bar and add new issues to contend with.

Environmental action plan *Action E21*

Sanyo promotes environmental conservation from the three different innovative approaches of process, products, and mind.

Action E21
EARTH·ECOLOGY·ENVIRONMENT·ENERGY·ECONOMY

PROCESS

Realizing manufacturing activities that minimize their harm to the environment through energy and resource conservation and the reduction of industrial waste.

PRODUCTS

Developing environment-conserving products for enhanced environmental performance and environmentally harmonious products that reduce environmental impact.

MIND

Contributing to creating a recycling-oriented society with an emphasis on energy- and resource-saving and recycling efforts.

Sanyo's Environmental Technology Focuses on Energy and Water

The world needs concrete solutions to facilitate environmental preservation and the affluent lifestyles we've become accustomed to. At Sanyo, our medium-term management plan, Challenge 21, helps us to be selective and focused in our investment of resources in our Energy & Ecology (E&E) field. We are leveraging our core competencies in energy and water to develop technologies and products that will serve as the foundation for our environmental business and furnish the needed solutions.

Energy is the driver of all activities. The Sanyo Group applies superior energy generation, conservation, and storage technologies to contribute to preventing global warming. These technologies have yielded the world's most efficient photovoltaic power generation system and fuel cell battery systems and have earned Sanyo the top share of the global rechargeable battery market.

As the source of life, water is an important research theme. Sanyo is helping to preserve a clean water environment by developing such products as its Aqua Clean System, which utilizes electrolysis technology; its phosphorous- and nitrogen-eliminating devices; and its silicon-based wastewater processing equipment.

Keeping Up with Stricter Global Environmental Regulations

The Sanyo Group aims to transform itself from a manufacturing business to a value-creation business. Its activities are increasingly global, and its business scope is ever expanding to include service industry and other nonmanufacturing businesses. In the past, we carried out our environmental management activities at our overseas plants and nonmanufacturing offices. We are stepping up our environmental management efforts, however, by establishing a global environmental management system and by putting in place a green global supply chain management system. These actions further strengthen our response to the approaching deadline for Europe's Waste Electrical and Electronic Equipment (WEEE) Directive and to a general stiffening of regulations around the world.

Solar Ark—a Symbol of Sanyo's Social Contributions and a Message to the World

Since Solar Ark's April 2002 grand opening, more than 100,000 people have visited this symbol of green energy at our Gifu Plant. Solar Ark, together with its integrated solar energy museum, Solar Lab, is a place where people can come to learn about the environment. And as part of its contribution to society, Sanyo donates funds equivalent to the value of the electric power generated by Solar Ark to the Sanyo Environmental Fund, which supports environmental preservation volunteer programs. We plan to use Solar Ark to send an environmental message to the world. Solar Ark provides us with a proactive conduit for disseminating information to maintain good communications between Sanyo, its customers, and society at large.

Solar Ark contains 5,046 solar cell modules and generates a maximum output of 630 kW. The annual output is estimated to be approximately 530 thousand kilowatt-hours. Carbon dioxide reduction amounts to 95 tC/year. Solar Ark measures 315 meters in length and weighs 3,000 metric tons.

Selected Financial Data

SANYO Electric Co., Ltd. and Subsidiaries As of and for the years ended March 31, 2004, 2003, 2002, 2001, and 2000

	Millions of Yen					Thousands of U.S. Dollars (Note a)
	2004	2003 Restated (Note b)	2002 Restated (Note b)	2001 Restated (Note b)	2000 Restated (Note b)	**2004**
For the year:						
Net sales	**¥2,508,018**	¥2,182,553	¥2,024,719	¥2,157,318	¥1,940,378	**$23,660,547**
Operating income (Note c)	**95,551**	78,299	53,074	106,591	62,095	**901,424**
Income (loss) before income taxes and minority interests	**45,992**	(74,157)	163	72,372	47,543	**433,887**
Net income (loss)	**13,400**	(61,671)	1,315	40,414	30,149	**126,415**
Capital expenditure	**110,203**	97,527	102,194	169,990	90,226	**1,039,651**
Depreciation and amortization	**113,785**	124,762	125,443	117,289	98,711	**1,073,443**
At the year-end:						
Total stockholders' equity	**¥ 497,302**	¥ 426,026	¥ 535,705	¥ 584,453	¥ 603,636	**$ 4,691,528**
Total assets	**2,643,627**	2,686,967	2,683,930	2,876,261	2,634,075	**24,939,877**
Per share:						
(yen and U.S. dollars) (Note d):						
Net income (loss):						
Basic	**¥ 7.2**	¥ (33.1)	¥ 0.7	¥ 21.6	¥ 16.0	**$ 0.068**
Diluted	**7.2**	(33.1)	0.7	21.2	15.8	**0.068**
Cash dividends declared	**6.0**	6.0	6.0	6.0	5.0	**0.057**
Per American Depositary Share:						
(yen and U.S. dollars) (Notes d and e):						
Net income (loss)						
Basic	**¥ 36.0**	¥ (165.5)	¥ 3.5	¥ 108.0	¥ 80.2	**$ 0.340**
Diluted	**36.0**	(165.5)	3.5	106.0	79.0	**0.340**
Cash dividends declared	**30.0**	30.0	30.0	30.0	25.0	**0.283**
Weighted average number of shares (thousands) (Note d)	**1,855,193**	1,863,198	1,870,510	1,871,376	1,889,477	
Sales by product category:						
AV/Information and Communications Equipment	**¥1,165,971**	¥ 907,370	¥ 807,045	¥ 792,813	¥ 694,975	**$10,999,726**
Home Appliances	**240,359**	258,707	280,690	297,730	301,637	**2,267,538**
Industrial and Commercial Equipment	**188,425**	189,910	223,768	256,142	240,325	**1,777,594**
Electronic Devices	**482,677**	443,985	379,050	447,654	392,726	**4,553,557**
Batteries	**341,835**	286,396	273,863	303,863	254,906	**3,224,858**
Others	**88,751**	96,185	60,303	59,116	55,809	**837,274**
Net sales	**¥2,508,018**	¥2,182,553	¥2,024,719	¥2,157,318	¥1,940,378	**$23,660,547**
Sales by area:						
Japan	**¥1,266,876**	¥1,123,543	¥1,095,611	¥1,100,278	¥ 981,682	**$11,951,660**
Asia	**668,610**	549,785	430,243	468,458	405,493	**6,307,641**
North America	**335,139**	294,206	302,884	365,726	361,177	**3,161,689**
Europe	**186,469**	167,783	156,075	187,542	155,389	**1,759,142**
Others	**50,924**	47,236	39,906	35,314	36,637	**480,415**
Net sales	**¥2,508,018**	¥2,182,553	¥2,024,719	¥2,157,318	¥1,940,378	**$23,660,547**
Other information:						
Price range of common stock						
(Tokyo Stock Exchange; yen and U.S. dollars):						
High	**¥ 614**	¥ 633	¥ 847	¥ 1,060	¥ 694	**$ 5.79**
Low	**326**	264	418	616	385	**3.08**
Number of employees (at the year-end)	**82,337**	79,025	80,500	86,009	83,519	

Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2004. See Note 2 of Notes to Consolidated Financial Statements.
(b) See Note 3 of Notes to Consolidated Financial Statements.
(c) To be consistent with financial reporting principles and practices generally accepted in Japan, operating income (loss) is calculated as net sales and operating revenue less cost of sales and selling, general and administrative expenses. The Company considers showing operating income (loss) convenient for investors to compare Sanyo's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges—for example, restructuring and impairment charges—are included as part of operating income (loss) in the consolidated statements of income.
(d) See Notes 1 and 18 of Notes to Consolidated Financial Statements.
(e) One American Depositary Share represents five shares of common stock.

Analysis of Major Factors Affecting Performance

OVERVIEW

In fiscal 2004, ended March 31, 2004, the global economy expanded, supported by a recovery in the U.S. economy and by strong growth in the economy of the People's Republic of China. In Japan as well there were signs of economic improvement, but the business climate remained challenging because of lingering concern over deflation and because of the impact of the yen's appreciation.

Against this backdrop, the Sanyo Group worked to build enterprise value. The Group took steps to better capitalize on and to expand its expertise under the new business group and unit management systems that it introduced in April 2003. Based on these new management systems, we began structural reforms aimed at growth in our businesses and their scope. To further reform our Home Appliances business we revitalized our Tokyo Plant, our largest domestic production base. In pursuing our aim of becoming the world's top manufacturer of small and medium-sized liquid crystal panels we reached a basic agreement with Seiko Epson Corporation to form a joint venture in the LCD business.

By product group, sales were favorable for digital cameras, cellular phones, and other digital products and for optical pickup products. In addition, sales of lithium-ion batteries, of which Sanyo is the world's top manufacturer, surged. Sales of home appliances, however, were weak because of stagnant personal consumption and intensified competition. Operating revenue, which comes from the credit finance and various businesses in our Others segment, edged forward a marginal 0.7%, to ¥91.9 billion (US$867 million).

Thanks to the sales growth posted by the AV/Information and Communications Equipment, Electronic Devices, and Batteries segments, consolidated net sales for the fiscal year ended March 31, 2004, rose a substantial 14.9%, to ¥2,508.0 billion (US$23,661 million).

Operating income* recorded a marked increase of ¥17.3 billion, to ¥95.6 billion (US$901 million), thanks to sales growth and improved business efficiency. Income before income taxes and minority interests and our net income moved back into the black, at ¥46.0 billion (US$434 million) and ¥13.4 billion (US$126 million), respectively. A large reduction in special losses, such as the evaluation loss on investment securities and the devaluation and disposal of loss of investments and bad debts to subsidiaries recorded in the prior fiscal year, contributed to the rebound in profitability.

* To be consistent with financial reporting principles and practices generally accepted in Japan, operating income (loss) is calculated as net sales and operating revenue less cost of sales and selling, general and administrative expenses. The Company considers showing operating income (loss) convenient for investors to compare Sanyo's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges—for example, restructuring and impairment charges—are included as part of operating income (loss) in the consolidated statements of income.

Free cash flow (net cash provided by operating activities plus net cash used in investing activities) for the fiscal year under review changed from the net cash inflow position in the previous fiscal year to a net cash outflow of ¥5.0 billion (US$47 million), declining ¥75.1 billion. Net cash provided by operating activities decreased from the year before, principally because of an increase in accounts receivables, which are bigger than notes and accounts payable. This contraction in cash was compounded by the increase in net cash used in investing activities due to the high level of capital investment.

Restatement of Consolidated Financial Statements

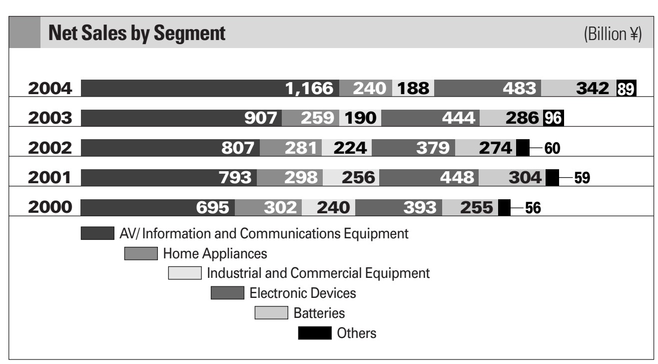
The Company performed a comprehensive analysis of its financial statements and determined that certain adjustments described in note 3 to the consolidated financial statements needed to be applied to prior periods. Although the nature and existence of these items had been deemed immaterial in prior periods, in implementing the findings of the review, the Company decided to record all such adjustments.

The Impact of Exchange Rate Fluctuations

If foreign currency denominated results of operations in the consolidated statements for the fiscal year under review were converted using the yen exchange rate applied in the previous fiscal year, net sales and operating revenue would decline ¥39.8 billion and operating profit would drop ¥0.8 billion. These calculations are based on foreign currency denominated amounts in net sales; operating revenues; cost of sales; and selling, general and administrative expenses of the consolidated statements for fiscal 2004 being converted at the average exchange rate of the Tokyo foreign currency exchange market during the previous fiscal year.

NET SALES AND OPERATING REVENUE

Net sales expanded 14.9%, to ¥2,508.0 billion (US$23,661 million). Operating revenue edged up 0.7%, to ¥91.9 billion (US$867 million). Among business segments, AV/Information and Communications



Equipment sales rose 28.3%, to ¥1,168.4 billion (US$11,022 million), boosted by a surge in the sales of cellular phones, digital cameras, and optical pickups. In our Batteries segment, lithium-ion battery sales rode the recovery in the cellular phone and personal computer markets, pushing segment sales up 19.7%, to ¥352.5 billion (US$3,326 million). Electronic Devices sales also recorded growth, due to the increased sales of LCDs, semiconductors, and electronic components.

Home Appliances segment sales, however, dropped because of a decline in the sales of refrigerators, air conditioners, and microwave ovens prompted by stagnant personal consumption and intensified competition. Similarly, sales by our Industrial and Commercial Equipment segment fell amid low levels of private-sector capital investment and declining prices primarily in Japan.

Others sales and operating revenue decreased 3.2%, to ¥195.8 billion (US$1,847 million). Others segment was held to a decrease mainly because of the exclusion of NTT Data Sanyo System Corporation from consolidation.

Domestic net sales posted firm growth, rising 12.8%, to ¥1,266.9 billion (US$11,952 million). Overseas net sales totaled ¥1,241.1 billion (US$11,709 million), a notable 17.2% increase based mainly on sales growth in Asia. Accordingly, overseas sales as a percentage of consolidated net sales climbed 1.0 percentage point, to 49.5%.

For breakdowns of net sales by business and geographic segments, please see the overview of business segment performance.

Business Segments (Unaudited)

	2004						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income (Loss)	Assets	Depreciation and Amortization	Capital Expenditure
	External	Intersegment	Total				
AV/Information and Communications Equipment	**¥1,165.9**	**¥ 2.5**	**¥1,168.4**	**¥ 54.7**	**¥ 558.1**	**¥ 27.5**	**¥ 28.1**
Home Appliances	**240.4**	**9.3**	**249.7**	**(8.4)**	**159.7**	**9.3**	**7.5**
Industrial and Commercial Equipment	**188.4**	**1.2**	**189.6**	**1.7**	**125.1**	**2.9**	**2.6**
Electronic Devices	**482.7**	**22.6**	**505.3**	**26.9**	**583.7**	**44.7**	**35.0**
Batteries	**341.8**	**10.7**	**352.5**	**26.0**	**272.6**	**22.6**	**29.9**
Others	**180.7**	**15.1**	**195.8**	**17.2**	**622.9**	**2.6**	**2.9**
Sub-total	**2,599.9**	**61.4**	**2,661.3**	**118.1**	**2,322.1**	**109.6**	**106.0**
Corporate and eliminations	**—**	**(61.4)**	**(61.4)**	**(22.5)**	**321.5**	**4.2**	**4.2**
Total	**¥2,599.9**	**¥ —**	**¥2,599.9**	**¥ 95.6**	**¥2,643.6**	**¥113.8**	**¥110.2**
	Millions of U.S. Dollars						
AV/Information and Communications Equipment	**$10,999**	**$ 23**	**$11,022**	**$ 516**	**$ 5,265**	**$ 259**	**$ 265**
Home Appliances	**2,268**	**88**	**2,356**	**(80)**	**1,507**	**88**	**70**
Industrial and Commercial Equipment	**1,778**	**11**	**1,789**	**16**	**1,180**	**27**	**25**
Electronic Devices	**4,554**	**213**	**4,767**	**254**	**5,507**	**422**	**331**
Batteries	**3,225**	**101**	**3,326**	**245**	**2,571**	**213**	**282**
Others	**1,704**	**143**	**1,847**	**162**	**5,877**	**24**	**27**
Sub-total	**24,528**	**579**	**25,107**	**1,113**	**21,907**	**1,033**	**1,000**
Corporate and eliminations	**—**	**(579)**	**(579)**	**(212)**	**3,033**	**40**	**40**
Total	**$24,528**	**$ —**	**$24,528**	**$ 901**	**$24,940**	**$1,073**	**$1,040**

	2003						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income (Loss)	Assets	Depreciation and Amortization	Capital Expenditure
	External	Intersegment	Total				
AV/Information and Communications Equipment	¥ 907.4	¥ 3.1	¥ 910.5	¥ 40.5	¥ 520.7	¥ 25.8	¥22.0
Home Appliances	258.7	6.8	265.5	(10.5)	224.7	12.0	7.3
Industrial and Commercial Equipment	189.9	2.8	192.7	1.2	152.0	4.0	2.3
Electronic Devices	444.0	20.8	464.8	21.6	574.6	53.1	31.7
Batteries	286.4	8.0	294.4	24.7	254.1	20.8	21.8
Others	187.5	14.8	202.3	22.6	638.5	4.3	6.0
Sub-total	2,273.9	56.3	2,330.2	100.1	2,364.6	120.0	91.1
Corporate and eliminations	—	(56.3)	(56.3)	(21.8)	322.4	4.8	6.4
Total	¥2,273.9	¥ —	¥2,273.9	¥ 78.3	¥2,687.0	¥124.8	¥97.5

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2004.

Geographic Segments (Unaudited)

	2004				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	**¥1,789.3**	**¥ 591.4**	**¥2,380.7**	**¥ 98.9**	**¥1,941.1**
Asia	**369.7**	**341.8**	**711.5**	**14.8**	**262.6**
North America	**305.0**	**1.2**	**306.2**	**5.1**	**130.6**
Others	**135.9**	**0.4**	**136.3**	**0.2**	**43.6**
Sub-total	**2,599.9**	**934.8**	**3,534.7**	**119.0**	**2,377.9**
Corporate and eliminations	**—**	**(934.8)**	**(934.8)**	**(23.4)**	**265.7**
Total	**¥2,599.9**	**¥ —**	**¥2,599.9**	**¥ 95.6**	**¥2,643.6**
	Millions of U.S. Dollars				
Japan	**$16,881**	**$5,579**	**$22,460**	**$ 933**	**$18,312**
Asia	**3,488**	**3,225**	**6,713**	**139**	**2,477**
North America	**2,877**	**11**	**2,888**	**48**	**1,232**
Others	**1,282**	**4**	**1,286**	**2**	**412**
Sub-total	**24,528**	**8,819**	**33,347**	**1,122**	**22,433**
Corporate and eliminations	**—**	**(8,819)**	**(8,819)**	**(221)**	**2,507**
Total	**$24,528**	**$ —**	**$24,528**	**$ 901**	**$24,940**

	2003				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income (Loss)	Assets
	External	Intersegment	Total		
Japan	¥1,592.4	¥423.9	¥2,016.3	¥81.1	¥1,978.5
Asia	307.4	284.5	591.9	12.2	226.9
North America	251.0	2.3	253.3	6.3	125.7
Others	123.1	0.5	123.6	0.3	43.4
Sub-total	2,273.9	711.2	2,985.1	99.9	2,374.5
Corporate and eliminations	—	(711.2)	(711.2)	(21.6)	312.5
Total	¥2,273.9	¥ —	¥2,273.9	¥78.3	¥2,687.0

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2004.

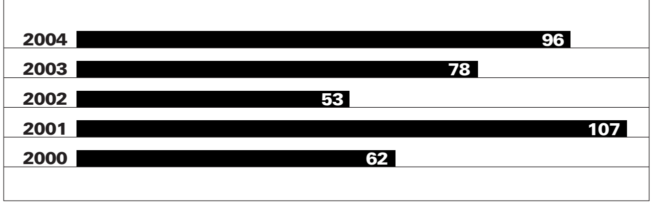
COSTS, EXPENSES, AND OPERATING INCOME

Our cost of sales amounted to ¥2,115.3 billion (US$19,955 million), an increase of ¥298.1 billion from the previous fiscal year. Although higher earnings reduced the fixed cost burden, this improvement was tempered by declining sales prices and a sharp rise in the cost of such materials as aluminum ingots, cobalt, and nickel. As a result, our cost of sales ratio rose 1.1 percentage points, to 84.4%.

Selling, general and administrative (SG&A) expenses climbed ¥10.7 billion year on year, to ¥389.1 billion (US$3,671 million). We did, however, achieve cost reductions during the fiscal year under review based on lower personnel expenditures realized through structural reforms. But sales costs rose in line with expanded sales, and R&D expenses increased because of investment in development related to our Digital & Device and Energy & Ecology research themes. Nevertheless, as a proportion of net sales SG&A expenses improved 1.8 percentage points, to 15.5%, because they grew substantially less than the 14.9% advance in net sales.

R&D Expenses and R&D Expenses to Net Sales (Billion ¥, %)

Operating Income (Billion ¥)



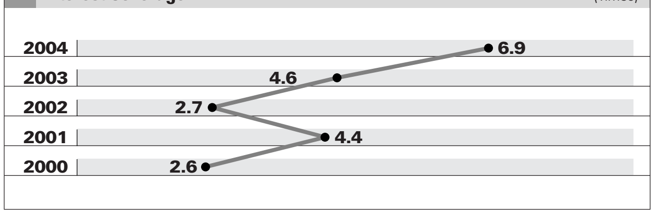
Mainly because of improved gross profit, operating income increased ¥17.3 billion, to ¥95.6 billion (US$901 million), despite the expansion in SG&A expenses. Operating income as a percentage of net sales increased 0.2 percentage points, to 3.8%.

For breakdowns of operating income by business and geographic segments, please see the overview of business segment performance.

OTHER INCOME (EXPENSES) AND NET INCOME

Other expenses declined substantially, ¥102.0 billion, to ¥68.7 billion (US$648 million). This improvement can mainly be attributed to a large drop in special losses, which in the prior fiscal year included a ¥78.2 billion evaluation loss on investment securities due to mark-to-market accounting and a ¥22.3 billion devaluation loss and disposal of investments and bad debts to subsidiaries.

Interest Coverage (Times)



Income before income taxes and minority interests therefore amounted to ¥46.0 billion (US$434 million), up ¥120.1 billion from the previous fiscal year. Current income taxes were ¥28.5 billion (US$269 million), increasing ¥42.7 billion year on year.

Income before minority interests amounted to ¥17.5 billion (US$165 million), rising ¥77.4 billion from the previous fiscal year. After deducting minority interests, Sanyo recorded net income of ¥13.4 billion (US$126 million), an advance of ¥75.1 billion from the previous fiscal year.

Basic net income per share was ¥7.2 (US$0.068), compared with a loss per share of ¥33.1 in the previous fiscal year, representing an improvement of ¥40.3 per share. Cash dividends per five American Depositary Shares (ADS's), meanwhile, amounted to ¥15.0 (US$0.142) per share.

Information on Capital Resources and Cash Flow

FINANCIAL STRATEGIES

The Sanyo Group borrows funds to finance its working capital and capital investment. Working capital is financed through short-term borrowings with maturities of one year or less, while property, plant and equipment is financed through long-term loans and corporate straight and convertible bond issues. At March 31, 2004, consolidated short-term borrowings amounted to ¥386.6 billion (US$3,647 million), down ¥20.7 billion from the previous fiscal year, and long-term debt amounted to ¥562.1 billion (US$5,302 million), falling ¥21.5 billion from the prior fiscal year.

During the fiscal year under review, we gave priority to investing our capital resources in major business fields, such as batteries and semiconductors. We also restrained growth in working capital by decreasing inventories, aiming to make the most efficient use of total capital employed. In addition, we focused our efforts on reducing our interest-bearing debt, targeting a further strengthening of our financial structure.

FINANCIAL POSITION

Assets

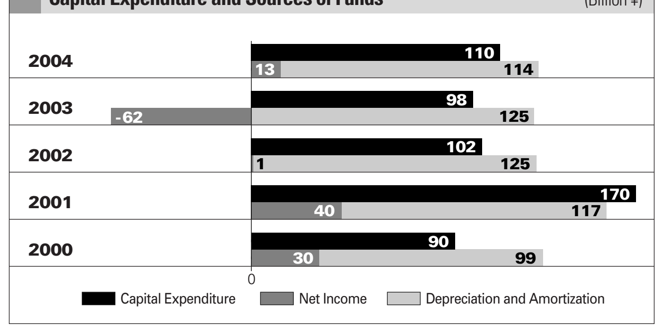
Total assets at fiscal year-end had contracted ¥43.3 billion, to ¥2,643.6 billion (US$24,940 million), from a year earlier.

Total current assets increased ¥4.5 billion, to ¥1,474.7 billion (US$13,913 million). Although we experienced a ¥44.1 billion decrease in cash because of worsened cash flow, we also realized a ¥51.0 billion increase in notes and accounts and finance receivables.

Investments and advances expanded ¥25.8 billion, to ¥241.2 billion (US$2,276 million), mainly because of an increase in the value of investment securities due to a recovery in the stock market.

Net property, plant and equipment decreased ¥3.1 billion in book value, to ¥623.9 billion (US$5,886 million). During the fiscal year, Sanyo invested ¥110.2 billion (US$1,040 million) in property, plant and equipment in its Batteries and Electronic Devices business segments, including semiconductors. However, net property, plant and equipment fell as a result of sales and disposal of land and construction equipment and depreciation recorded during the year.

Capital Expenditure and Sources of Funds (Billion ¥)



Deferred income taxes—noncurrent—decreased ¥85.3 billion, to ¥101.9 billion (US$961 million). This decrease occurred primarily because of higher valuation gains on securities due to mark-to-market accounting and a decline in the minimum pension liability adjustments as a result of the return of the substitution portion of employee welfare pension fund liabilities to the government of Japan.

Other assets increased ¥14.8 billion, to ¥201.9 billion (US$1,905 million), because of an increase in noncurrent lease receivables.

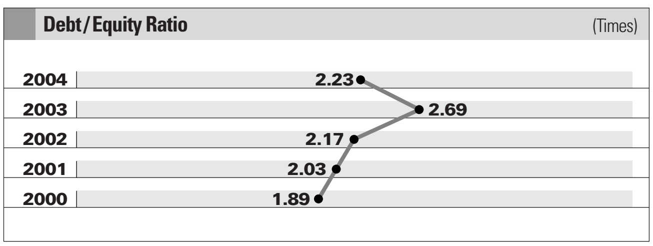
Liabilities and Stockholders' Equity

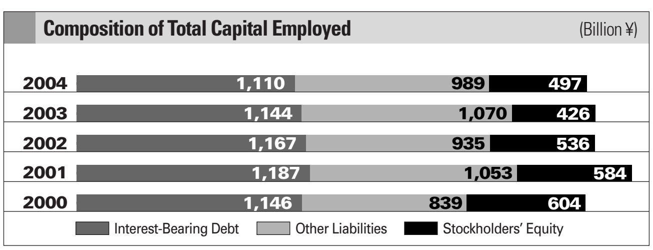
Total liabilities contracted ¥115.5 billion, to ¥2,098.5 billion (US$19,797 million). This decrease resulted principally from the repayments and redemptions of interest-bearing debt and a decline in accrued severance and pension costs due to the return of the substitution

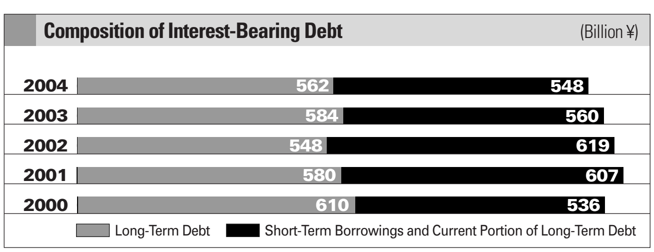
portion of employee welfare pension fund liabilities to the government of Japan. Of this amount, total short- and long-term interest-bearing debt decreased ¥34.4 billion, to ¥1,109.5 billion (US$10,467 million), as a net effect of new fund-raising, repayments, and redemptions.

During the fiscal year under review, the Company raised ¥30.0 billion (US$283 million) through uncollateralized bond issues. These funds were raised for the refinancing of a total of ¥30.0 billion in domestic uncollateralized bond issues maturing in June 2003 and in September 2003.

Total stockholders' equity increased ¥71.3 billion, to ¥497.3 billion (US$4,692 million), and the stockholders' equity ratio improved 2.9 percentage points, to 18.8%. The main factors underlying the growth in stockholders' equity were the increase in retained earnings and a ¥69.1 billion improvement in accumulated other comprehensive loss thanks to the ¥52.8 billion decline in minimum pension liability adjustments.







CASH FLOWS

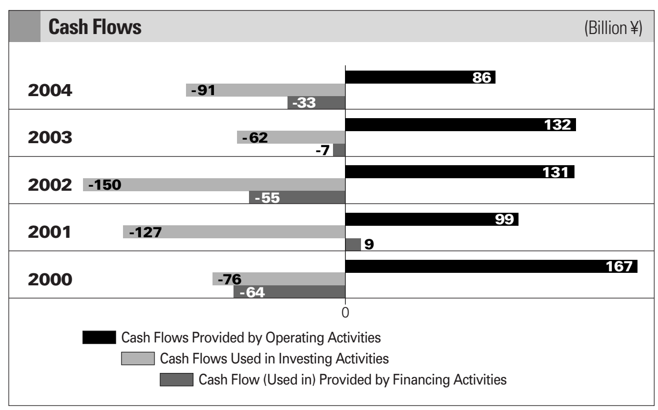
Cash and cash equivalents at the end of the fiscal period amounted to ¥277.5 billion (US$2,618 million), down ¥42.3 billion from the previous fiscal year-end. This decrease can mainly be attributed to the year-on-year decline in free cash flow due to less net cash provided by operating activities and the increase in net cash used in investing activities principally due to greater capital investment. In addition, there was a significant increase in net cash used in financing activities as a result of Sanyo's fund-raising and redemptions activities during the year.

Net cash provided by operating activities amounted to ¥86.4 billion (US$815 million), down ¥45.4 billion from the previous fiscal year. Although net income improved substantially, net cash provided declined compared with the prior fiscal year because of an increase in accounts receivables, which are bigger than notes and accounts payable.

Net cash used in investing activities amounted to ¥91.4 billion (US$862 million), rising ¥29.7 billion from the previous fiscal year. This increase can be attributed to an increase in payments for the purchase of property, plant and equipment and to a decline in proceeds from the sale of property, plant and equipment.

As a result of the above, free cash flow (net cash provided by operating activities plus net cash used in investing activities) amounted to a cash outflow of ¥5.0 billion (US$47 million), compared with a cash inflow of ¥70.1 billion in the previous fiscal year.

Because of our continuing efforts to reduce our interest-bearing debt, net cash used in financing activities increased ¥26.1 billion from the previous fiscal year, to ¥33.3 billion (US$314 million).



Acquisition of Treasury Stock

Total treasury stock held at the end of the fiscal year under review amounted to 17,223,365 shares. During the fiscal year, the Company made an additional acquisition of 287,999 shares to cover odd lot purchases of less than one trading unit (1,000 shares) and disposed of 48,504 shares.

Consolidated Statements of Income

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2004	2003 Restated (Note 3)	2002 Restated (Note 3)	**2004**
Revenues:				
Net sales (Note 6)	**¥2,508,018**	¥2,182,553	¥2,024,719	**$23,660,547**
Operating revenue	**91,921**	91,322	87,408	**867,179**
Interest and dividends	**6,439**	6,954	8,732	**60,745**
Other income (Note 19)	**27,553**	29,738	26,577	**259,934**
Total revenues	**2,633,931**	2,310,567	2,147,436	**24,848,405**
Costs and expenses:				
Cost of sales (Note 6)	**2,115,262**	1,817,125	1,704,797	**19,955,302**
Selling, general and administrative expenses	**389,126**	378,451	354,256	**3,671,000**
Interest	**14,868**	18,463	23,196	**140,264**
Other expenses (Note 19)	**68,683**	170,685	65,024	**647,952**
Total costs and expenses	**2,587,939**	2,384,724	2,147,273	**24,414,518**
Income (loss) before income taxes and minority interests	**45,992**	(74,157)	163	**433,887**
Provision for income taxes (Note 16):				
Current	**19,441**	23,877	21,172	**183,406**
Deferred	**9,093**	(38,045)	(21,644)	**85,783**
	28,534	(14,168)	(472)	**269,189**
Income (loss) before minority interests	**17,458**	(59,989)	635	**164,698**
Minority interests	**4,058**	1,682	(1,857)	**38,283**
Income (loss) before cumulative effect of accounting change	**13,400**	(61,671)	2,492	**126,415**
Cumulative effect of accounting change	**—**	—	(1,177)	**—**
Net income (loss)	**¥ 13,400**	¥ (61,671)	¥ 1,315	**$ 126,415**
	Yen			U.S. Dollars (Note 2)
Per share:				
Basic (Note 18):				
Basic net income (loss) per share before cumulative effect of accounting change	**¥7.2**	¥ (33.1)	¥1.3	**$0.068**
Cumulative effect of accounting change	**—**	—	(0.6)	**—**
Basic net income (loss) per share	**7.2**	(33.1)	0.7	**0.068**
Diluted (Note 18):				
Diluted net income (loss) per share before cumulative effect of accounting change	**7.2**	(33.1)	1.3	**0.068**
Cumulative effect of accounting change	**—**	—	(0.6)	**—**
Diluted net income (loss) per share	**7.2**	(33.1)	0.7	**0.068**
Cash dividends declared	**6.0**	6.0	6.0	**0.057**
Per American Depositary Share:				
Basic:				
Basic net income (loss) per share before cumulative effect of accounting change	**¥36.0**	¥ (165.5)	¥ 6.5	**$0.340**
Cumulative effect of accounting change	**—**	—	(3.0)	**—**
Basic net income (loss) per share	**36.0**	(165.5)	3.5	**0.340**
Diluted:				
Diluted net income (loss) per share before cumulative effect of accounting change	**36.0**	(165.5)	6.5	**0.340**
Cumulative effect of accounting change	**—**	—	(3.0)	**—**
Diluted net income (loss) per share	**36.0**	(165.5)	3.5	**0.340**
Cash dividends declared	**30.0**	30.0	30.0	**0.283**
Weighted average number of shares (thousands)	**1,855,193**	1,863,198	1,870,510	

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2004 and 2003

ASSETS	Millions of Yen 2004	Millions of Yen 2003 Restated (Note 3)	Thousands of U.S. Dollars (Note 2) 2004
Current assets:			
Cash and cash equivalents:			
Cash	**¥ 101,861**	¥ 145,916	**$ 960,953**
Time deposits	**175,601**	173,837	**1,656,613**
	277,462	319,753	**2,617,566**
Short-term investments (Notes 7 and 13)	**16,180**	29,328	**152,642**
Receivables:			
Notes and accounts	**436,105**	416,580	**4,114,198**
Finance receivables (Note 4)	**257,286**	235,247	**2,427,226**
Affiliates and unconsolidated subsidiaries	**66,566**	57,094	**627,981**
Allowance for doubtful accounts	**(23,734)**	(28,506)	**(223,905)**
	736,223	680,415	**6,945,500**
Inventories (Note 5)	**334,214**	341,226	**3,152,962**
Deferred income taxes (Note 16)	**49,329**	32,727	**465,368**
Prepaid expenses and other	**61,331**	66,751	**578,594**
Total current assets	**1,474,739**	1,470,200	**13,912,632**
Investments and advances:			
Affiliates and unconsolidated subsidiaries (Note 6)	**40,258**	27,093	**379,792**
Other (Notes 7 and 13)	**200,976**	188,383	**1,896,000**
	241,234	215,476	**2,275,792**
Property, plant and equipment (Note 9):			
Buildings	**464,175**	477,324	**4,379,009**
Machinery and equipment	**1,006,905**	987,442	**9,499,104**
	1,471,080	1,464,766	**13,878,113**
Accumulated depreciation	**(1,003,934)**	(998,521)	**(9,471,075)**
	467,146	466,245	**4,407,038**
Land	**145,386**	144,450	**1,371,566**
Construction in progress	**11,359**	16,300	**107,160**
	623,891	626,995	**5,885,764**
Deferred income taxes (Note 16)	**101,882**	187,205	**961,151**
Other assets (Note 8)	**201,881**	187,091	**1,904,538**
	¥2,643,627	¥2,686,967	**$24,939,877**

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen 2004	Millions of Yen 2003 Restated (Note 3)	Thousands of U.S. Dollars (Note 2) 2004
Current liabilities:			
Short-term borrowings (Note 9)	**¥ 386,570**	¥ 407,298	**$ 3,646,887**
Current portion of long-term debt (Note 9)	**160,884**	153,095	**1,517,774**
Notes and accounts payable:			
Trade	**462,803**	456,781	**4,366,066**
Affiliates and unconsolidated subsidiaries	**14,461**	9,836	**136,425**
Construction	**26,992**	31,598	**254,641**
	504,256	498,215	**4,757,132**
Accrued income taxes	**11,305**	15,372	**106,651**
Employees' savings deposits	**23,088**	24,180	**217,811**
Other, including dividends payable and accrued expenses	**237,286**	223,562	**2,238,547**
Total current liabilities	**1,323,389**	1,321,722	**12,484,802**
Long-term debt (Notes 9 and 13)	**562,057**	583,556	**5,302,424**
Accrued pension and severance costs (Note 10)	**213,044**	308,751	**2,009,849**
Total liabilities	**2,098,490**	2,214,029	**19,797,075**
Minority interests in consolidated subsidiaries	**47,835**	46,912	**451,274**
Commitments and contingent liabilities (Note 12)			
Stockholders' equity (Note 15):			
Common stock:			
Authorized:			
March 31, 2004 and 2003—4,921,196 thousand shares			
Issued:			
March 31, 2004 and 2003—1,872,338 thousand shares	**172,242**	172,242	**1,624,924**
Additional paid-in capital	**336,036**	336,029	**3,170,151**
Retained earnings	**92,766**	90,498	**875,151**
Accumulated other comprehensive loss	**(96,527)**	(165,626)	**(910,632)**
	504,517	433,143	**4,759,594**
Less, treasury stock at cost:			
2004—17,223,365 shares	**(7,215)**	—	**(68,066)**
2003—17,090,173 shares	**—**	(7,117)	**—**
Total stockholders' equity	**497,302**	426,026	**4,691,528**
	¥2,643,627	¥2,686,967	**$24,939,877**

Consolidated Statements of Stockholders' Equity

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2004, 2003 and 2002

				Millions of Yen					
				Accumulated Other Comprehensive Income (Loss)					
(Number of Shares of Common Stock—Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments	Net Unrealized Gains (Losses) on Derivatives	Total	Total Comprehensive Income (Loss)
Balance, March 31, 2001 (1,872,335) as previously reported	¥172,241	¥336,028	¥219,166	¥ (2,179)	¥(24,506)	¥(47,444)	¥ —	¥(74,129)	
Restatement adjustment prior to March 31, 2001 (Note 3)			(45,922)		(21,458)			(21,458)	
Balance, March 31, 2001 (1,872,335) as restated	172,241	336,028	173,244	(2,179)	(45,964)	(47,444)	—	(95,587)	
Comprehensive income (loss):									
Net income (Restated (Note 3))			1,315						¥ 1,315
Other comprehensive income (loss):									
Net unrealized losses on securities (net of tax of ¥26,680 million) (Note 7)				(37,900)				(37,900)	(37,900)
Reclassification adjustments for net losses realized in net income (net of tax of ¥8,546 million)				12,125				12,125	12,125
Foreign currency translation adjustments (Restated (Note 3))					10,655			10,655	10,655
Minimum pension liability adjustments (Note 10) (net of tax of ¥15,384 million)						(21,245)		(21,245)	(21,245)
Cumulative effect of adopting SFAS No. 133 (net of tax of ¥1,762 million)							(807)	(807)	(807)
Net unrealized losses on derivatives (net of tax of ¥1,406 million) (Note 14)							(1,428)	(1,428)	(1,428)
Reclassification adjustments for net losses realized in net income (net of tax of ¥799 million)							564	564	564
Total (Restated (Note 3))									¥ (36,721)
Cash dividends			(11,219)						
Balance, March 31, 2002 (1,872,335) (Restated (Note 3))	172,241	336,028	163,340	(27,954)	(35,309)	(68,689)	(1,671)	(133,623)	
Comprehensive income (loss):									
Net loss (Restated (Note 3))			(61,671)						¥ (61,671)
Other comprehensive income (loss):									
Net unrealized losses on securities (net of tax of ¥19,922 million) (Note 7)				(25,864)				(25,864)	(25,864)
Reclassification adjustments for net losses realized in net loss (net of tax of ¥31,432 million)				42,682				42,682	42,682
Foreign currency translation adjustments (Restated (Note 3))					(10,832)			(10,832)	(10,832)
Minimum pension liability adjustments (net of tax of ¥24,550 million) (Note 10)						(37,716)		(37,716)	(37,716)
Net unrealized losses on derivatives (net of tax of ¥864 million) (Note 14)							(839)	(839)	(839)
Reclassification adjustments for net losses realized in net loss (net of tax of ¥729 million)							566	566	566
Total (Restated (Note 3))									¥ (93,674)
Cash dividends			(11,171)						
Conversion of convertible bonds (3)	1	1							
Balance, March 31, 2003 (1,872,338) (Restated (Note 3))	**172,242**	**336,029**	**90,498**	**(11,136)**	**(46,141)**	**(106,405)**	**(1,944)**	**(165,626)**	
Comprehensive income (loss):									
Net income			**13,400**						**¥ 13,400**
Other comprehensive income (loss):									
Net unrealized gains on securities (net of tax of ¥24,448 million) (Note 7)				**35,314**				**35,314**	**35,314**
Reclassification adjustments for net gains realized in net income (net of tax of ¥4,381 million)				**(6,912)**				**(6,912)**	**(6,912)**
Foreign currency translation adjustments					**(12,856)**			**(12,856)**	**(12,856)**
Minimum pension liability adjustments (net of tax of ¥36,455 million) (Note 10)						**52,847**		**52,847**	**52,847**
Net unrealized gains on derivatives (net of tax of ¥210 million) (Note 14)							**180**	**180**	**180**
Reclassification adjustments for net losses realized in net income (net of tax of ¥684 million)							**526**	**526**	**526**
Total									**¥ 82,499**
Cash dividends			**(11,132)**						
Gains on disposal of treasury stock		**7**							
Balance, March 31, 2004 (1,872,338)	**¥172,242**	**¥336,036**	**¥ 92,766**	**¥17,266**	**¥(58,997)**	**¥(53,558)**	**¥(1,238)**	**¥(96,527)**	
				Thousands of U.S. Dollars (Note 2)					
Balance, March 31, 2003 (1,872,338) (Restated (Note 3))	**$1,624,924**	**$3,170,085**	**$853,755**	**$(105,057)**	**$(435,292)**	**$(1,003,821)**	**$(18,340)**	**$(1,562,510)**	
Comprehensive income (loss):									
Net income			**126,415**						**$126,415**
Other comprehensive income (loss):									
Net unrealized gains on securities (net of tax of $231 million) (Note 7)				**333,151**				**333,151**	**333,151**
Reclassification adjustments for net gains realized in net income (net of tax of $41 million)				**(65,207)**				**(65,207)**	**(65,207)**
Foreign currency translation adjustments					**(121,283)**			**(121,283)**	**(121,283)**
Minimum pension liability adjustments (net of tax of $344 million) (Note 10)						**498,557**		**498,557**	**498,557**
Net unrealized gains on derivatives (net of tax of $2 million) (Note 14)							**1,698**	**1,698**	**1,698**
Reclassification adjustments for net gains realized in net income (net of tax of $6 million)							**4,962**	**4,962**	**4,962**
Total									**$778,293**
Cash dividends			**(105,019)**						
Gains on disposal of treasury stock		**66**							
Balance, March 31, 2004 (1,872,338)	**$1,624,924**	**$3,170,151**	**$875,151**	**$ 162,887**	**$(556,575)**	**$ (505,264)**	**$(11,680)**	**$ (910,632)**	

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2004	2003 Restated (Note 3)	2002 Restated (Note 3)	**2004**
Cash flows from operating activities:				
Net income (loss)	**¥ 13,400**	¥ (61,671)	¥ 1,315	**$ 126,415**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	**113,785**	124,762	125,443	**1,073,443**
(Gain) loss on sale of marketable securities and investment securities	**(12,117)**	(6,038)	5,963	**(114,311)**
Evaluation losses on investment securities	**2,643**	78,197	22,109	**24,934**
Devaluation and disposal of investments and bad debts	**1,588**	22,306	—	**14,981**
Loss on disposal of property, plant and equipment	**9,397**	5,638	3,654	**88,651**
Provision for income taxes—deferred	**9,093**	(38,045)	(21,644)	**85,783**
Equity in earnings of affiliates and unconsolidated subsidiaries	**(2,651)**	(3,150)	(1,211)	**(25,009)**
Change in assets and liabilities, net of effect of newly consolidated subsidiaries in 2004 and 2003				
(Increase) decrease in receivables	**(56,613)**	(60,493)	53,179	**(534,085)**
(Increase) decrease in inventories	**(1,987)**	54,642	34,666	**(18,745)**
(Increase) decrease in prepaid expenses and other	**(7,034)**	18,672	19,336	**(66,358)**
(Increase) decrease in other assets	**(23,602)**	(33,142)	16,657	**(222,660)**
Increase (decrease) in notes and accounts payable	**15,062**	61,724	(70,788)	**142,094**
Decrease in accrued income taxes	**(3,907)**	(1,094)	(4,696)	**(36,858)**
Increase (decrease) in other current liabilities	**25,183**	(5,578)	(29,796)	**237,575**
Other, net	**4,131**	(24,974)	(23,279)	**38,971**
Total adjustments	**72,971**	193,427	(129,593)	**688,406**
Net cash provided by operating activities	**86,371**	131,756	130,908	**814,821**
Cash flows from investing activities:				
Decrease (increase) in short-term investments	**12,070**	36,386	(15,281)	**113,868**
Proceeds from sale of investments and collection of advances	**47,246**	30,201	30,879	**445,717**
Proceeds from sale of property, plant and equipment	**15,754**	28,012	24,978	**148,623**
Payments for purchase of investments and advances	**(36,181)**	(46,606)	(38,921)	**(341,330)**
Payments for purchase of property, plant and equipment	**(110,329)**	(90,783)	(146,891)	**(1,040,840)**
(Payments for) proceeds from acquisition of consolidated subsidiaries	**(343)**	8,058	—	**(3,236)**
(Payments for) proceeds from sale of consolidated subsidiaries	**(1,135)**	4,813	—	**(10,708)**
Other, net	**(18,438)**	(31,712)	(5,222)	**(173,943)**
Net cash used in investing activities	**(91,356)**	(61,631)	(150,458)	**(861,849)**
Cash flows from financing activities:				
(Decrease) increase in short-term borrowings	**(20,998)**	(33,638)	19,652	**(198,094)**
Proceeds from issuance of long-term debt	**152,082**	215,635	122,440	**1,434,736**
Repayments of long-term debt	**(152,544)**	(172,208)	(183,707)	**(1,439,094)**
Dividends paid	**(11,650)**	(11,733)	(11,794)	**(109,906)**
Repurchases of common stock	**(195)**	(5,245)	(1,297)	**(1,840)**
Net cash used in financing activities	**(33,305)**	(7,189)	(54,706)	**(314,198)**
Effect of exchange rate changes on cash and cash equivalents	**(7,185)**	(5,221)	4,358	**(67,783)**
Net (decrease) increase in cash and cash equivalents	**(45,475)**	57,715	(69,898)	**(429,009)**
Cash and cash equivalents of newly consolidated subsidiaries	**3,184**	2,356	—	**30,037**
Cash and cash equivalents at beginning of year	**319,753**	259,682	329,580	**3,016,538**
Cash and cash equivalents at end of year	**¥277,462**	¥319,753	¥259,682	**$2,617,566**

The accompanying notes are an integral part of these statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Sanyo is engaged in development, manufacture and sales in various locations around the world. Sanyo operates in six business segments: "AV/Information and Communications Equipment," "Home Appliances," "Industrial and Commercial Equipment," "Electronic Devices," "Batteries" and "Others." Fiscal 2004 net sales comprised AV/Information and Communications Equipment (47%), Home Appliances (10%), Industrial and Commercial Equipment (7%), Electronic Devices (19%), Batteries (14%) and Others (3%). The principal markets are in Japan, Asia, North America, Europe and Others, with sales in each area representing 51%, 26%, 13%, 8% and 2%, respectively, of net sales for the year ended March 31, 2004. Sanyo has manufacturing facilities located in more than 20 countries, principally in Asian areas, such as Japan and China, as well as in North America and Europe.

Accounting Principles

The accounting records of domestic companies are maintained in accordance with accounting practices prevailing in Japan. The accompanying consolidated financial statements reflect the adjustments necessary for a presentation in accordance with generally accepted accounting principles as defined in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all significant subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Investments in 20%-to-50%-held companies and certain unconsolidated subsidiaries that are not material are, with minor exceptions, carried at cost plus the equity in undistributed earnings, after elimination of unrealized intercompany profits.

Cash Equivalents

All highly liquid investments, including time deposits with a maturity of three months or less, are considered to be cash equivalents.

Short-Term Investments and Investments and Advances

Available-for-sale securities are carried at fair market value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income. Individual securities classified as available-for-sale are reduced to net realizable value by a charge to earnings for other-than-temporary declines in fair value. For the purpose of computing gains and losses on securities sold, the cost of these securities is determined by the moving average method. Held-to-maturity securities are recorded at amortized cost. Securities that do not have readily determinable fair values are recorded at cost.

Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated at the exchange rates in effect at the respective balance sheet date, and related transaction gains or losses are included in the determination of net income.

Assets and liabilities of foreign consolidated subsidiaries and affiliates and unconsolidated subsidiaries accounted for on an equity basis are translated into yen at the exchange rates in effect at the balance sheet date. Operating accounts are translated at the average rate of exchange for the period. Translation adjustments result from the process of translating foreign currency financial statements into yen. These translation adjustments, which are not included in the determination of net income, are reported in other comprehensive income.

Inventories

Inventories are stated at the lower of cost or market value. The cost of finished products and work in process is primarily determined by the average cost method. The first-in, first-out method is primarily used for other inventories.

Impairment of Long-Lived Assets

Sanyo's long-lived assets other than goodwill, including property, plant and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If it is determined an impairment loss has occured, a loss calculated as the difference between the carrying value and present value of estimated net cash flows is recognized in the period.

Goodwill and Other Intangible Assets

Goodwill acquired in a purchase business combination and intangible assets with indefinite lives are not amortized but tested for impairment annually or whenever the events or changes in circumstances that indicate the possibility of impairment occur. The fair value of these assets is generally estimated using analysis of the discounted cash flows. Definite-lived intangible assets are amortized on a straight line basis over their estimated useful lives, which are mainly 5 years.

Property, Plant and Equipment

Property, plant and equipment, including significant renewals and additions, are carried at cost. When retired or otherwise disposed of, the cost and related accumulated depreciation are cleared from the respective accounts, and the net difference, less any amounts realized on disposal, is reflected in earnings.

Depreciation is principally computed by the declining balance method at rates based on the estimated useful lives of the assets.

Buildings..5 to 50 years
Machinery and equipment........................2 to 20 years

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Advertising Costs

Advertising costs are expensed as incurred.

Research and Development Costs

Research and development costs are expensed as incurred.

Income Taxes

Deferred income taxes reflect the expected future tax consequences of differences between the tax bases of assets and liabilities and the financial reporting amounts at the fiscal year-end. Deferred income tax assets and liabilities are measured by using currently enacted tax rates, and the effect on these deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Sanyo recognizes the valuation allowance for the deferred tax assets whose possibility of the realization is more likely than not.

Provision for Product Warranty Costs

Provision for product warranty costs is established at the time the revenue is recognized, based on historical actual amounts.

Derivatives

Sanyo utilizes derivatives to manage the risk of changes in foreign currency exchange rates and interest rates. The derivatives Sanyo utilizes are mainly foreign currency exchange contracts, interest rate swap and currency swap. Sanyo adopts Statement of Financial Accounting Standards ("SFAS") No.133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No.138. Sanyo recognizes all derivatives as either assets or liabilities in the balance sheet and measures these instruments at fair value. The change in the fair value of a derivative is recognized in earnings in the period of the change. If the changes are designed and qualified as cash flow hedges, they are first recorded in other comprehensive income or loss and then the realization of earnings or losses is deferred until it is impacted by the hedged items. Sanyo made all formal documents about hedging risk management objective and strategy and relationships between hedging instruments and hedging items. Sanyo also assesses whether the derivatives that are used in hedging transactions offset cash flows of hedged items or not, at the commencement of a hedging transaction and on an ongoing basis.

Stock-Based Compensation

The Company accounts for employee stock options in accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." See Note 11 for disclosures required by SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," on the Company's stock options.

There is no compensation cost recognized as the option price at the date of grant is higher than the fair value of common stock.

Dividends and Net Income per Share and per American Depositary Share

Cash dividends declared subsequent to the balance sheet date and designated as applicable to earnings of the period are accrued and charged to retained earnings as of the balance sheet date. Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding during each period. The calculation of diluted income per share takes into account the dilutive effect of convertible bonds. Dividends and net income per American Depositary Share are computed on the basis of each American Depositary Share

representing five shares of common stock. The calculation of basic and diluted income per share is presented in Note 18.

Revenue Recognition

Sanyo recognizes sales when delivery has occurred or services have been rendered, the sale price is fixed or determinable persuasive evidence of an arrangement exists, and the collectibility of the resulting receivable is reasonably assured.

Revenue for direct finance leases has been recognized over the lease term. Unrealized lease revenue is amortized by the interest method.

2 UNITED STATES DOLLAR AMOUNTS

The dollar amounts included in the consolidated financial statements and notes thereto for the year ended March 31, 2004 represent the arithmetical results of translating yen to dollars on the basis of ¥106 = US$1, the approximate effective rate of exchange at March 31, 2004.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities have been or could be readily converted, realized or settled in dollars at ¥106 = US$1 or at any other rate.

3 RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

The Company performed a comprehensive analysis of its financial statements and determined that certain adjustments described below needed to be applied to prior periods. As a result of the review, the Company recorded adjustments with respect to items identified in previous periods but that had not been recorded in those periods to correct items identified in the current period that relate to prior periods and to adhere to the Company's accounting policies and procedures. Although the nature and existence of certain of these items had been deemed immaterial in prior periods, in implementing the findings of the review the Company decided to record all such adjustments.

The following table summarizes the effects of the restatement on the Company's net income (loss) for the years ended March 31, 2003 and 2002, and on retained earnings as of March 31, 2003, 2002 and 2001.

Net income (loss)

	Millions of Yen	
	2003	2002
As previously reported	¥ (72,817)	¥1,727
Restatement adjustments		
Investments (other assets)	8,126	1,883
Scope of consolidation	721	(97)
Other adjustments	1,728	(5,057)
Tax effect	571	2,859
As restated	¥ (61,671)	¥1,315

Retained Earnings

	Millions of Yen		
	As of March 31, 2003	As of March 31, 2002	As of March 31, 2001
As previously reported	¥125,686	¥209,674	¥219,166
Restatement adjustments			
Investments (other assets)	(26,467)	(34,593)	(36,476)
Scope of consolidation	(5,752)	(6,473)	(6,376)
Other adjustments	(5,903)	(7,631)	(2,574)
Tax effect	2,934	2,363	(496)
As restated	¥ 90,498	¥163,340	¥173,244

The following is a summary of the corrections noted above.

a. Investments (other assets)

The Company reviewed the balances in the goodwill account associated with a prior expansion of the scope of consolidation in 1997 and 1999 and determined that certain amounts were overstated and therefore that goodwill balances and related impairment charges needed to be restated. This resulted in a decrease in the net loss for the year ended March 31, 2003 of ¥8,126 million and in an increase in the net income for the year ended March 31, 2002 of ¥1,883 million and an adjustment to the retained earnings of ¥36,476 million as of March 31, 2001.

b. Scope of consolidation

With effect from April 1, 2002, the Company expanded the scope of consolidation to include 36 additional majority owned subsidiaries which were previously accounted for using the cost method. This resulted in a decrease in the net loss for the year ended March 31, 2003 of ¥721 million and in a decrease in the net income for the year ended March 31, 2002 of ¥97 million and an adjustment to the retained earnings of ¥6,376 million as of March 31, 2001.

c. Others

Other adjustments relate to accruals and provisions for liabilities at some subsidiaries; the timing and amount of impairments; consolidation and elimination adjustments, and the reallocation of income and losses of certain subsidiaries from the minority to Sanyo. As a result, net loss decreased by ¥1,728 million for the year ended March 31, 2003 and net income decreased by ¥5,057 million for the year ended March 31, 2002 and the retained earnings as of March 31, 2001 decreased by ¥2,574 million.

The following table shows the consolidated balance sheets of Sanyo as of March 31, 2003 before and after the restatement.

CONSOLIDATED BALANCE SHEETS

	Millions of Yen	
	2003	
	Previously Reported	Restated
Current assets:		
Cash and cash equivalents:		
Cash	¥ 145,916	¥ 145,916
Time deposits	173,837	173,837
	319,753	319,753
Short-term investments	29,328	29,328
Receivables:		
Notes and accounts	416,580	416,580
Finance receivables	235,247	235,247
Affiliates and unconsolidated subsidiaries	57,094	57,094
Allowance for doubtful accounts	(28,506)	(28,506)
Inventories	341,226	341,226
Deferred income taxes	31,435	32,727
Prepaid expense and other	73,812	66,751
Total current assets	1,475,969	1,470,200
Investment and advances:		
Affiliates and unconsolidated subsidiaries	35,263	27,093
Other	223,604	188,383
	258,867	215,476
Property, plant and equipment:		
Building	477,324	477,324
Machinery and equipment	987,442	987,442
	1,464,766	1,464,766
Accumulated depreciation	(998,521)	(998,521)
	466,245	466,245
Land	144,450	144,450
Construction in progress	16,300	16,300
	626,995	626,995
Deferred income taxes	185,563	187,205
Other assets	197,132	187,091
	2,744,526	2,686,967
Current liabilities:		
Short-term borrowings	407,298	407,298
Current portion of long-term debt	153,095	153,095
Notes and accounts payable:		
Trade	456,781	456,781
Affiliates and unconsolidated subsidiaries	9,836	9,836
Construction	31,598	31,598
Accrued income taxes	15,372	15,372
Employees' savings deposits	24,180	24,180
Other, including dividends payable and accrued expenses	228,082	223,562
Total current expenses	1,326,242	1,321,722
Long-term debt	583,556	583,556
Accrued pension and severance costs	308,751	308,751
Total liabilities	2,218,549	2,214,029
Minority interests in consolidated subsidiaries	44,785	46,912

	Millions of Yen	
	2003	
	Previously Reported	Restated
Stockholders' equity:		
Common stock	¥ 172,242	¥ 172,242
Additional paid-in capital	336,029	336,029
Retained earnings	125,686	90,498
Accumulated other comprehensive loss	(145,648)	(165,626)
	488,309	433,143
Less, treasury stock at cost	(7,117)	(7,117)
Total stockholders' equity	481,192	426,026
	¥2,744,526	¥2,686,967

The following table shows the consolidated statements of income of Sanyo for the years ended March 31, 2003 and 2002 before and after the restatement.

CONSOLIDATED STATEMENTS OF INCOME

	Millions of Yen			
	2003		2002	
	Previously Reported	Restated	Previously Reported	Restated
Revenues:				
Net sales	¥2,182,553	¥2,182,553	¥2,024,719	¥2,024,719
Operating revenue	91,322	91,322	87,408	87,408
Interest and dividends	6,954	6,954	8,732	8,732
Other income	29,017	29,738	26,674	26,577
Total revenues	2,309,846	2,310,567	2,147,533	2,147,436
Costs and expenses:				
Cost of sales	1,817,125	1,817,125	1,704,797	1,704,797
Selling, general and administrative expenses	378,451	378,451	354,256	354,256
Interest	18,463	18,463	23,196	23,196
Other expenses	180,677	170,685	62,010	65,024
Total costs and expenses	2,394,716	2,384,724	2,144,259	2,147,273
Income (loss) before income taxes and minority interest	(84,870)	(74,157)	3,274	163
Income taxes:				
Current	23,877	23,877	21,172	21,172
Deferred	(37,474)	(38,045)	(18,785)	(21,644)
	(13,597)	(14,168)	2,387	(472)
Income (loss) before minority interest	(71,273)	(59,989)	887	635
Minority interests	1,544	1,682	(2,017)	(1,857)
Income (loss) before cumulative effect of accounting change	(72,817)	(61,671)	2,904	2,492
Cumulative effect of accounting change	—	—	(1,177)	(1,177)
Net income (loss)	¥ (72,817)	¥ (61,671)	¥ 1,727	¥ 1,315

From the year ended March 31, 2004, Sanyo changed the form of its consolidated statement of income from a multi-step to a single-step presentation. Therefore, these reclassifications have been made to the previously reported and the restated consolidated statements of income for the years ended March 31, 2003 and 2002 to conform to the 2004 presentation.

The following table shows the consolidated statements of cash flows of Sanyo for the years ended March 31, 2003 and 2002 before and after the restatement.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of Yen			
	2003		2002	
	Previously Reported	Restated	Previously Reported	Restated
Cash flows from operating activities:				
Net (loss) income	¥ (72,817)	¥ (61,671)	¥ 1,727	¥ 1,315
Adjustments to reconcile net income (loss) to net cash provided by operating activities				
Depreciation and amortization	124,762	124,762	125,443	125,443
(Gain) loss on sale of marketable securities and investment securities	(6,038)	(6,038)	5,963	5,963
Evaluation losses on investment securities	78,197	78,197	22,109	22,109
Devaluation and disposal of investments and bad debts	30,432	22,306	—	—
Loss on disposal of property, plant and equipment	5,638	5,638	3,654	3,654
Provision for income taxes—deferred	(37,474)	(38,045)	(18,785)	(21,644)
Equity in earnings of affiliates and unconsolidated subsidiaries	(2,429)	(3,150)	(1,308)	(1,211)
Change in assets and liabilities, net of effect of newly consolidated subsidiaries in 2003				
(Increase) decrease in receivables	(60,493)	(60,493)	53,179	53,179
Decrease in inventories	54,642	54,642	34,666	34,666
Decrease in prepaid expenses and other	19,651	18,672	17,468	19,336
(Increase) decrease in other assets	(33,142)	(33,142)	16,657	16,657
Increase (decrease) in notes and accounts payable	61,724	61,724	(70,788)	(70,788)
Decrease in accrued income taxes	(1,094)	(1,094)	(4,696)	(4,696)
(Decrease) in other current liabilities	(2,976)	(5,578)	(34,502)	(29,796)
Other, net	(26,827)	(24,974)	(19,879)	(23,279)
Total adjustments	204,573	193,427	129,181	129,593
Net cash provided by operating activities	131,756	131,756	130,908	130,908
Cash flows from investing activities:				
Decrease (increase) in short-term investment	36,386	36,386	(15,281)	(15,281)
Proceeds from sale of investments and collection of advances	30,201	30,201	30,879	30,879
Proceeds from sale of property, plant and equipment	28,012	28,012	24,978	24,978
Payments for purchase of investments and advances	(46,606)	(46,606)	(38,921)	(38,921)
Payments for purchase of property, plant and equipment	(90,783)	(90,783)	(146,891)	(146,891)
Proceeds from acquisition of consolidated subsidiaries	8,058	8,058	—	—
Proceeds from sale of consolidated subsidiaries	4,813	4,813	—	—
Other, net	(31,712)	(31,712)	(5,222)	(5,222)
Net cash used in investing activities	(61,631)	(61,631)	(150,458)	(150,458)
Cash flows from financing activities:				
(Decrease) increase in short-term borrowings	(33,638)	(33,638)	19,652	19,652
Proceeds from issuance of long-term debt	215,635	215,635	122,440	122,440
Repayments of long-term debt	(172,208)	(172,208)	(183,707)	(183,707)
Dividends paid	(11,733)	(11,733)	(11,794)	(11,794)
Repurchase of common stock	(5,245)	(5,245)	(1,297)	(1,297)
Net cash used in financing activities	(7,189)	(7,189)	(54,706)	(54,706)
Effect of exchange rate changes on cash and cash equivalents	(5,221)	(5,221)	4,358	4,358
Net increase (decrease) in cash and cash equivalents	57,715	57,715	(69,898)	(69,898)
Cash and cash equivalents of newly consolidated subsidiaries	2,356	2,356	—	—
Cash and cash equivalents at beginning of year	259,682	259,682	329,580	329,580
Cash and cash equivalents at end of year	¥319,753	¥319,753	¥259,682	¥259,682

4 FINANCE RECEIVABLES

In accordance with generally recognized trade practices, finance receivables at March 31, 2004 included installment receivables of ¥23,616 million (US$222,792 thousand) from customers, of which ¥14,495 million (US$136,745 thousand) matures after one year.

5 INVENTORIES

Inventories at March 31, 2004 and 2003 comprise the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Finished products	**¥168,890**	¥175,009	**$1,593,302**
Work in process	**73,327**	78,203	**691,764**
Raw materials	**91,997**	88,014	**867,896**
	¥334,214	¥341,226	**$3,152,962**

6 INVESTMENTS AND ADVANCES

Summarized financial information of affiliates that are accounted for by the equity method is as follows. One of the principal affiliates is NTT Data Sanyo System Corporation (NDSS). At March 31, 2004, the Company has a 50.0% equity ownership in NDSS.

	Millions of Yen		Thousands of U.S. Dollars
At March 31, 2004 and 2003	**2004**	2003	**2004**
Current assets	**¥ 90,628**	¥ 85,151	**$ 854,981**
Noncurrent assets	**47,853**	56,990	**451,444**
Total assets	**138,481**	142,141	**1,306,425**
Current liabilities	**68,183**	69,741	**643,236**
Noncurrent liabilities	**18,343**	31,067	**173,047**
Total liabilities	**86,526**	100,808	**816,283**
Net assets	**¥ 51,955**	¥ 41,333	**$ 490,142**
Sanyo's investment in affiliates	**¥ 25,555**	¥ 25,553	**$ 241,085**
Number of affiliated companies at end of fiscal period:			
In Japan	**18**	17	
Outside Japan	**9**	9	

	Millions of Yen			Thousands of U.S. Dollars
Years ended March 31, 2004, 2003 and 2002	**2004**	2003	2002	**2004**
Results of operations:				
Net sales	**¥208,673**	¥181,170	¥185,996	**$1,968,613**
Net income	**5,448**	1,713	1,694	**51,396**
Sanyo's equity in affiliates:				
Net income	**¥ 1,625**	¥ 1,598	¥ 1,094	**$ 15,330**
Cash dividends	**803**	345	489	**7,575**
Transactions with affiliates:				
Sales to	**¥ 83,610**	¥ 30,705	¥ 53,570	**$ 788,774**
Purchases from	**33,268**	33,618	37,397	**313,849**

The aggregate carrying amount and market value of investments in affiliates (for which a quoted market price is available) at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Carrying amount	**¥ 7,854**	¥8,139	**$74,094**
Market value	**10,081**	6,709	**95,104**

7 INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities included in short-term investments (current assets) and in investments and advances—other (noncurrent assets) at March 31, 2004 and 2003 are summarized as follows.

	Millions of Yen							
	2004				2003			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:								
Debt securities	**¥ 21,260**	**¥ 21,352**	**¥ 135**	**¥ 43**	¥ 18,651	¥ 18,271	¥ 36	¥ 416
Equity securities	**93,668**	**125,827**	**37,175**	**5,016**	89,205	72,854	4,976	21,327
	¥114,928	**¥147,179**	**¥37,310**	**¥5,059**	¥107,856	¥ 91,125	¥5,012	¥21,743
Held-to-maturity:								
Debt securities	**14,672**	**14,569**	**20**	**123**	27,619	27,393	29	255
	14,672	**14,569**	**20**	**123**	27,619	27,393	29	255
Total investments in debt and equity securities	**¥129,600**	**¥161,748**	**¥37,330**	**¥5,182**	¥135,475	¥118,518	¥5,041	¥21,998

	Thousands of U.S. Dollars			
	2004			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:				
Debt securities	**$ 200,566**	**$ 201,434**	**$ 1,273**	**$ 405**
Equity securities	**883,660**	**1,187,047**	**350,708**	**47,321**
	$1,084,226	**$1,388,481**	**$351,981**	**$47,726**
Held-to-maturity:				
Debt securities	**138,415**	**137,443**	**189**	**1,161**
	138,415	**137,443**	**189**	**1,161**
Total investments in debt and equity securities	**$1,222,641**	**$1,525,924**	**$352,170**	**$48,887**

Contractual maturities of investments in debt securities classified as available-for-sale securities and held-to-maturity securities at March 31, 2004 are summarized as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Available-for-sale		Held-to-maturity		Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	¥11,074	¥11,113	¥ 5,106	¥ 5,106	$104,471	$104,840	$ 48,170	$ 48,170
Due after 1 year through 5 years	103	149	—	—	972	1,406	—	—
Due after 5 years	10,083	10,090	9,566	9,463	95,123	95,188	90,245	89,273
	¥21,260	¥21,352	¥14,672	¥14,569	$200,566	$201,434	$138,415	$137,443

The proceeds from the sale of available-for-sale securities for the years ended March 31, 2004, 2003 and 2002 were ¥41,295 million (US$389,575 thousand), ¥7,004 million and ¥11,863 million, respectively. The gross realized gains and losses on those sales were ¥13,134 million (US$123,906 thousand) and ¥785 million (US$7,406 thousand), respectively, for the year ended March 31, 2004, ¥829 million and ¥3,662 million, respectively, for the year ended March 31, 2003 and ¥3,465 million and ¥1,377 million, respectively, for the year ended March 31, 2002.

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2004, are as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Less than 12 Months		12 Months or More		Less than 12 Months		12 Months or More	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale:								
Debt securities	¥ 655	¥ 43	¥ —	¥ —	$ 6,179	$ 405	$ —	$ —
Equity securities	3,586	674	16,965	4,342	33,830	6,359	160,047	$40,962
	4,241	717	16,965	4,342	40,009	6,764	160,047	40,962
Held-to-maturity:								
Debt securities	3,677	123	—	—	34,689	1,161	—	—
	3,677	123	—	—	34,689	1,161	—	—
Total investments in debt and equity securities	¥7,918	¥840	¥16,965	¥4,342	$74,698	$7,925	$160,047	$40,962

8 GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the years ended March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Balance at beginning of year	**¥6,036**	¥6,036	**$56,943**
Goodwill acquired during the year	**3,395**	—	**33,028**
Balance at end of year	**¥9,431**	¥6,036	**$89,971**

The carrying amounts of intangible assets not subject to amortization principally consist of a land leasehold at March 31, 2004 and 2003 of ¥825 million (US$7,783 thousand), respectively.

Intangible assets subject to amortization at March 31, 2004 and 2003 are as follows:

	Millions of Yen			
	2004		2003	
	Gross Carrying Amounts	Accumulated Amortization	Gross Carrying Amounts	Accumulated Amortization
Software	**¥37,330**	**¥14,871**	¥32,079	¥12,850
Other	**531**	**259**	571	273
Total	**¥37,861**	**¥15,130**	¥32,650	¥13,123

	Thousands of U.S. Dollars	
	2004	
	Gross Carrying Amounts	Accumulated Amortization
Software	**$352,170**	**$140,292**
Other	**5,009**	**2,443**
Total	**$357,179**	**$142,735**

Aggregate amortization expense for the years ended March 31, 2004, 2003 and 2002 were ¥6,256 million (US$59,019 thousand), ¥5,410 million and ¥4,937 million, respectively. Estimated amortized expense for the next five years ending March 31 is ¥6,474 million in 2005, ¥5,513 million in 2006, ¥4,306 million in 2007, ¥2,597 million in 2008, and ¥1,015 million in 2009, respectively.

9 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans, which are principally uncollateralized, included bank overdrafts and trade acceptances payable of foreign subsidiaries.

The amount of unused lines of credit was approximately ¥1,015,000 million (US$9,575,472 thousand) at March 31, 2004.

Short-term borrowings at March 31, 2004 and 2003 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Short-term bank loans with interest ranging from 0% to 5.60% and from 0% to 5.60% at March 31, 2004 and March 31, 2003, respectively	**¥342,830**	¥343,596	**$3,234,245**
Commercial paper with interest ranging from 0.01% to 1.41% and from 0.02% to 1.67% at March 31, 2004 and March 31, 2003, respectively	**43,740**	63,702	**412,642**
	¥386,570	¥407,298	**$3,646,887**

Long-term debt at March 31, 2004 and 2003 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Loans, principally from banks and insurance companies, due 2004 to 2015 with interest rates ranging from 0% to 13.20% and due 2003 to 2015 with interest rates ranging from 0% to 12.00% at March 31, 2004 and March 31, 2003, respectively:			
Collateralized (a)	**¥ 13,120**	¥ 15,264	**$ 123,774**
Uncollateralized	**372,601**	382,936	**3,515,103**
Uncollateralized convertible yen bonds (b):			
1.6% convertible bonds due November 2004	**49,898**	49,898	**470,735**
0.8% convertible bonds due March 2004	**—**	431	**—**
Uncollateralized convertible euroyen bonds:			
0% bonds issued by a consolidated subsidiary due March 2009	**4,322**	5,122	**40,774**
Uncollateralized bonds (b):			
2.825% bonds due September 2003	**—**	20,000	**—**
3.10% bonds due May 2007	**20,000**	20,000	**188,679**
3.35% bonds due May 2009	**30,000**	30,000	**283,019**
1.550% bonds due June 2003	**—**	10,000	**—**
1.925% bonds due June 2005	**20,000**	20,000	**188,679**
2.325% bonds due June 2008	**20,000**	20,000	**188,679**
1.33% bonds due August 2005	**20,000**	20,000	**188,679**
1.82% bonds due August 2007	**30,000**	30,000	**283,019**
0.78% bonds due May 2007	**30,000**	30,000	**283,019**
1.25% bonds due May 2009	**20,000**	20,000	**188,679**
0.53% bonds due June 2010	**20,000**	—	**188,679**
0.82% bonds due June 2013	**10,000**	—	**94,340**
2.4% bonds issued by a consolidated subsidiary due June 2005	**5,000**	5,000	**47,170**
1.63% bonds issued by a consolidated subsidiary due July 2004	**5,000**	5,000	**47,170**
1.63% bonds issued by a consolidated subsidiary due July 2004	**5,000**	5,000	**47,170**
2.00% bonds issued by a consolidated subsidiary due November 2006	**5,000**	5,000	**47,170**
2.00% bonds issued by a consolidated subsidiary due November 2006	**5,000**	5,000	**47,170**
2.42% bonds issued by a consolidated subsidiary due March 2010	**15,000**	15,000	**141,509**
1.07% bonds issued by a consolidated subsidiary due April 2003	**—**	10,000	**—**
0.80% bonds issued by a consolidated subsidiary due April 2004	**10,000**	10,000	**94,340**
1.03% bonds issued by a consolidated subsidiary due March 2009	**10,000**	—	**94,340**
0.79% bonds issued by a consolidated subsidiary due September 2005	**3,000**	3,000	**28,302**
	722,941	736,651	**6,820,198**
Less: amount due within one year	**160,884**	153,095	**1,517,774**
	¥562,057	¥583,556	**$5,302,424**

(a) These loans are collateralized by property, plant and equipment belonging to the Company's subsidiaries with a book value of ¥12,052 million (US$113,698 thousand).
(b) The Company and certain subsidiaries may not pledge their property or assets for any future borrowings without granting the same or equivalent collateral to the bondholders.

Substantially all of the uncollateralized loan agreements permit the lender to require collateral or guarantors for such loans.

The aggregate annual maturities of long-term debt at March 31, 2004 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥134,639	$1,270,179
2007	101,337	956,009
2008	143,145	1,350,425
2009	65,868	621,396
2010 and thereafter	117,068	1,104,415
	¥562,057	$5,302,424

Under the terms of the agreements of the convertible debt outstanding at March 31, 2004, redemption and conversion options are as follows:

	Redeemable		Current Conversion
	On or After	Price Range	Price per Share
Convertible yen bonds:*			
1.6% convertible bonds due November 2004	Dec. 1, 2003	100%	¥1,036.00
Convertible euroyen bonds:*			
0% convertible bonds issued by a consolidated subsidiary due March 2009	Apr. 15, 2003	105%–100%	¥2,980.00

*May be repurchased at any time on the open market.

As of March 31, 2004, the number of shares of common stock required to convert all of the convertible debt is 48,164 thousand shares.

10 SEVERANCE AND PENSION PLANS

Employees who terminate their service with the Company and its principal domestic subsidiaries are, under most circumstances, entitled to lump-sum payments or an annuity determined by reference to current basic rates of pay, retirement benefits points, length of service and conditions under which the terminations occur.

Effective April 1, 2003, the Company and certain subsidiaries amended their benefit pension plans to cash balance pension plans. Under the cash balance pension plans, the pension contribution amount and pension benefit amount are calculated based on retirement benefits points and market-related interest rates. By this amendment of the retirement benefit plans, as of March 31, 2004, the retirement benefit obligation was reduced by ¥22,724 million (US$214,377 thousand) which is amortized equally as prior service cost over the average remaining length of service.

In addition, for the year ended March 31, 2004, the Company and certain subsidiaries completed the transfer to the Japanese government of the substitutional portion of welfare pension. The details of the transfer are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Benefit obligation reduced by the transfer	¥154,105	$1,453,821
Assets transferred to the government	82,353	776,915
Subsidy from the government	71,752	676,906
Unrecognized actuarial loss	(64,501)	(608,500)
Gains on the transfer	¥ 7,251	$ 68,406

The Company and its principal subsidiaries also record the retirement benefit obligation for their directors.

Severance and pension costs of the Company and its principal domestic subsidiaries include the following components for the years ended March 31, 2004, 2003 and 2002:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	**2004**
Service cost	**¥17,363**	¥23,902	¥20,428	**$163,802**
Interest cost	**17,902**	20,349	20,699	**168,887**
Expected return on plan assets	**(6,567)**	(9,068)	(10,470)	**(61,953)**
Amortization:				
Net transition obligation at date of adoption	**824**	824	824	**7,774**
Prior service cost	**(1,844)**	(329)	187	**(17,396)**
Actuarial losses	**14,648**	10,829	6,117	**138,188**
Net periodic benefit cost	**¥42,326**	¥46,507	¥37,785	**$399,302**

Assumptions used in accounting for the defined benefit plans for the years ended March 31, 2004, 2003 and 2002 are as follows:

	2004	2003	2002
Discount rate	**2.0–3.0%**	2.75–3.0%	3.0–3.5%
Long-term rate of salary increase	**2.9%**	2.9%	2.9%
Long-term rate of return on fund assets	**2.0–3.0%**	3.0–3.5%	3.0–4.0%

The long-term rate of return on fund assets is decided by the projected and actual return on each pension fund.

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Company and its principal domestic subsidiaries at March 31, 2004 and 2003:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥628,232**	¥586,319	**$5,926,717**
Service cost	**17,363**	23,902	**163,802**
Interest cost	**17,902**	20,349	**168,887**
Plan participants' contributions	**510**	3,490	**4,811**
Plan amendment	**(22,724)**	—	**(214,377)**
Transfer to the Japanese government of the substitutional portion of welfare pension	**(154,105)**	—	**(1,453,821)**
Actuarial losses	**5,930**	34,488	**55,943**
Benefits paid	**(30,375)**	(40,316)	**(286,556)**
Benefit obligation at end of year	**462,733**	628,232	**4,365,406**
Change in plan assets:			
Fair value of plan assets at beginning of year	**236,460**	260,244	**2,230,755**
Actual return on plan assets	**16,170**	(29,522)	**152,547**
Employer contributions	**21,827**	19,756	**205,915**
Plan participants' contributions	**510**	3,490	**4,811**
Transfer to the Japanese government of the substitutional portion of welfare pension	**(82,353)**	—	**(776,915)**
Benefits paid	**(15,272)**	(17,508)	**(144,075)**
Fair value of plan assets at end of year	**177,342**	236,460	**1,673,038**
Funded status:			
Benefit obligation in excess of plan assets	**285,391**	391,772	**2,692,368**
Unrecognized net transition obligation at date of adoption	**(1,371)**	(2,195)	**(12,934)**
Unrecognized prior service cost	**33,363**	12,482	**314,745**
Unrecognized actuarial loss	**(198,924)**	(282,547)	**(1,876,641)**
Net amount recognized	**118,459**	119,512	**1,117,538**
Reconciliation to accrued pension liability:			
Amount included in accumulated other comprehensive income, gross of tax	**90,013**	184,086	**849,179**
Accrued pension liability recognized in the consolidated balance sheets	**¥208,472**	¥303,598	**$1,966,717**

The measurement dates of the retirement benefit obligation and fund assets as of March 31, 2004 and 2003 are December 31, 2003 and 2002, respectively.
Assumptions used in accounting for the retirement benefit obligations for the years ended March 31, 2004 and 2003 are as follows:

	2004	2003
Discount rate	**2.0–3.0%**	2.75–3.0%
Long-term rate of salary increase	**3.1%**	2.9%

Accumulated benefit obligation at March 31, 2004 and 2003 is ¥385,814 million (US$3,639,755 thousand) and ¥540,058, respectively. There is no pension fund whose fair value of fund assets exceeds its accumulated benefit obligation. Estimated contribution amount to fund assets of the Company and its principal subsidiaries for the year ending March 31, 2005 is ¥23,000 million (US$216,981 thousand). The Company and its principal subsidiaries' fund assets consisted of the following components:

	2004	2003
Equity securities	**40%**	47%
Debt securities	**27%**	35%
General accounts of life insurance company	**22%**	17%
Others	**11%**	1%
	100%	100%

Sanyo's investment policy to fund assets is to secure pension assets so that it can ensure to grant pensions to beneficiaries in the future.

Fund assets are employed by taking into consideration the long-term rate of return, based on the most suitable combination of basic portfolio, i.e., equity securities or debt securities.

The basic portfolio is made by the mid-long term point of view. If amendment is needed to achieve the long-term rate of return, Sanyo reexamines the basic portfolio as necessary.

11 STOCK OPTION PLANS

The Company has three stock option plans to provide for grants of options to purchase shares of common stock for all its directors, officers and certain key employees. The 2003, 2002 and 2001 Stock Incentive Plan authorizes the issuance of options to purchase up to 2,500,000, 1,800,000 and 1,029,000 shares of common stock, respectively. The options granted are vested over two years and are exercisable over a maximum of two years after the options are vested.

A summary of stock option plan activity for the years ended March 31, 2004, 2003 and 2002 is as follows:

	Number of Options (Shares)	Weighted Average Exercise Price Yen	Weighted Average Exercise Price U.S. Dollars
Options outstanding at March 31, 2001	1,029,000	¥977	
Granted	1,029,000	826	
Exercised	—	—	
Canceled	(17,000)	826	
Options outstanding at March 31, 2002	2,041,000	902	
Granted	1,493,000	558	$5.26
Exercised	—	—	—
Canceled	—	—	—
Options outstanding at March 31, 2003	3,534,000	757	$7.14
Granted	2,409,000	481	4.54
Exercised	—	—	—
Canceled	—	—	—
Options outstanding at March 31, 2004	5,943,000	**¥645**	**$6.08**
Options exercisable:			
March 31, 2002	**—**	**—**	
March 31, 2003	**1,029,000**	**¥977**	**$9.22**
March 31, 2004	**2,041,000**	**902**	**8.51**

The following table summarizes information about stock options outstanding at March 31, 2004:

	Options Outstanding				Options Exercisable		
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price Share			Weighted Average Exercise Price Share	
Range of Exercise Prices	Number Outstanding	(Years)	Yen	U.S. Dollars	Number Exercisable	Yen	U.S. Dollars
¥481 to ¥558	3,902,000	2.0	¥510	$4.81	—	¥ —	$ —
¥826 to ¥977	2,041,000	0.7	902	8.51	2,041,000	902	8.51
	5,943,000	1.6	¥645	$6.08	2,041,000	¥902	$8.51

Sanyo Electric Credit Co., Ltd. has a stock option plan to provide for grants of options to purchase shares of common stock for all its directors and certain key employees. The 2002 Stock Incentive Plan authorizes the issuance of options to purchase up to 350,000 shares of common stock. The options granted are vested over two years and are exercisable over a maximum of three years after the options are vested.

A summary of stock option plan activity for the year ended March 31, 2004 is as follows:

	Number of Options (Shares)	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life (Years)
		Yen	U.S. Dollars	
Options outstanding at March 31, 2003:	329,500	¥3,104	$29.28	
Granted	—	—	—	
Exercised	—	—	—	
Canceled	—	—	—	
Options outstanding at March 31, 2004	**329,500**	**¥3,104**	**$29.28**	**3.0**
Options exercisable:				
March 31, 2004	**—**	**—**	**—**	**—**

Pro Forma Fair Value Information

Sanyo has elected to account for its stock option plan under APB No. 25, as SFAS No. 123 permits a company in determining its net income to continue to apply APB No. 25 to its stock-based compensation arrangement. Under APB No. 25, no compensation expense is recognized because the option exercise price is not lower than the fair market price of the common stock on the date of grant. Had compensation expense been determined as prescribed by SFAS No. 123, Sanyo's pro forma net income and earnings per share for the years ended March 31, 2004, 2003 and 2002 would have been as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	**2004**
Income (loss) before cumulative effect of accounting change, as reported	**¥13,400**	¥(61,671)	¥2,492	**$126,415**
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(291)**	(259)	(236)	**(2,745)**
Pro forma income (loss) before cumulative effect of accounting change	**13,109**	(61,930)	2,256	**123,670**
Cumulative effect of accounting change	**—**	—	(1,177)	**—**
Pro forma net income (loss)	**¥13,109**	¥(61,930)	¥1,079	**$123,670**

	Yen			U.S. Dollars
	2004	2003	2002	**2004**
Basic income per share:				
Income (loss) before cumulative effect of accounting change:				
As reported	**¥7.2**	¥(33.1)	¥1.3	**$0.068**
Pro forma	**7.1**	(33.2)	1.2	**0.067**
Net income (loss):				
As reported	**7.2**	(33.1)	0.7	**0.068**
Pro forma	**7.1**	(33.2)	0.6	**0.067**
Diluted income per share:				
Income (loss) before cumulative effect of accounting change:				
As reported	**7.2**	(33.1)	1.3	**0.068**
Pro forma	**7.1**	(33.2)	1.2	**0.067**
Net income (loss):				
As reported	**7.2**	(33.1)	0.7	**0.068**
Pro forma	**¥7.1**	(33.2)	0.6	**$0.067**

Fair Value per Share Information

The Company:

The weighted average fair values per share at the date options were granted during the years ended March 31, 2004, 2003 and 2002 were ¥119 (US$1.12), ¥119 and ¥223, respectively.

The fair value is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2004	2003	2002
Risk-free interest rate	**0.29%**	0.29%	0.32%
Expected life	**4 years**	4 years	4 years
Expected volatility	**40.70%**	43.00%	41.00%
Expected dividend	**1.33%**	1.27%	0.77%

SANYO Electric Credit Co., Ltd.:

The weighted average fair value per share at the date of grant for options during the year ended March 31, 2003 was ¥781. The fair value is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2003
Risk-free interest rate	0.42%
Expected life	5 years
Expected volatility	37.50%
Expected dividend	1.11%

12 COMMITMENTS AND CONTINGENT LIABILITIES

Substantially all of Sanyo's rental expenses relate to operating leases for office space, warehouses, etc. Such leases are customarily renewed; however, total rental expenses are not significant. Commitments outstanding at March 31, 2004 for purchase of property, plant and equipment approximated ¥7,686 million (US$72,509 thousand).

Contingent liabilities at March 31, 2004 for notes discounted in the ordinary course of business, consumer loans guaranteed by a financing subsidiary and other loans guaranteed amounted to ¥2,183 million (US$20,594 thousand), ¥96,740 million (US$912,642 thousand) and ¥51,388 million (US$484,792 thousand), respectively. No material loss is anticipated by management as a result of these discounted notes and guaranteed loans.

The Company and its subsidiaries are defendants in several lawsuits. In the opinion of management, these lawsuits are without merit and will not materially affect Sanyo's operations or financial position.

13 FINANCIAL INSTRUMENTS

Sanyo used the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such a value:

(a) Cash and cash equivalents, trade and finance receivables, short-term borrowings and trade payables

The carrying amount approximates fair value because of the short maturities of these instruments.

(b) Short-term investments

The fair value of short-term investments is estimated based on quoted market prices. (See Note 7.)

(c) Investments and advances

The fair value of certain investments is estimated based on quoted market prices. For other investments which have no quoted market prices, a reasonable estimate of fair value cannot be made without incurring excessive costs. (See Note 7.)

(d) Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using an appropriate current discount rate.

(e) Foreign currency exchange forward contracts

The fair value of foreign currency exchange forward contracts is estimated by obtaining quotes from brokers.

(f) Interest rate and currency swap agreements

The fair value of interest rate and currency swap agreements is estimated based on discounted cash flows using current interest and exchange rates.

Sanyo does not hold or issue any financial instruments for trading purposes.

Although Sanyo may be exposed to losses in the event of nonperformance by counterparties or interest and currency fluctuations, it does not anticipate significant losses from the arrangements previously described.

The estimated fair values of financial instruments as of March 31, 2004 and 2003 are as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2004			2003			**2004**		
	Notional Amount, etc.	Carrying Amount	Fair Value	Notional Amount, etc.	Carrying Amount	Fair Value	Notional Amount, etc.	Carrying Amount	Fair Value
Long-term debt	**¥ —**	**¥562,057**	**¥588,692**	¥ —	¥583,556	¥672,798	**$ —**	**$5,302,425**	**$5,553,698**
Foreign currency forward contracts—selling	**76,225**	**1,091**	**1,091**	58,246	(415)	(415)	**719,104**	**10,292**	**10,292**
Foreign currency forward contracts—buying	**24,988**	**393**	**393**	14,227	130	130	**235,736**	**3,708**	**3,708**
Currency option contracts—selling	**6,024**	**(579)**	**(579)**	7,879	(137)	(137)	**56,830**	**(5,462)**	**(5,462)**
Currency option contracts—buying	**2,008**	**8**	**8**	2,626	133	133	**18,943**	**75**	**75**
Interest rate and currency swap	**320,855**	**(2,926)**	**(2,926)**	383,201	(2,154)	(2,154)	**3,026,934**	**(27,604)**	**(27,604)**

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to develop estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that could be realized in the current market. The use of different market assumptions or valuation methodologies may have an effect on the estimated fair value amounts.

14 DERIVATIVES AND HEDGING

Risk Management Policy

Sanyo operates, manufactures and sells electronic products and provides certain financial services in various locations around the world. Sanyo's activities expose it mainly to risks related to the effects of changes in foreign currency exchange rates and interest rates. Derivatives are held in accordance with the formally documented risk management program. Sanyo utilizes certain derivatives to manage its foreign currency and interest risk exposure, including forecasted transactions. Sanyo holds derivatives for purposes other than trading.

Foreign Currency Exchange Risk Management

Sanyo maintains a foreign-currency risk management strategy in which derivatives are used to minimize exposure and to reduce risk from exchange rate fluctuations. Foreign forward contracts and foreign currency swaps are not designated and qualified as hedge transactions since they do not meet the requirements for hedge accounting. Changes in the fair value of these contracts and the foreign currency translation gain or loss arising from denominated net foreign currency assets and liabilities are reported as foreign currency transaction gains or losses in the consolidated statements of income.

Interest Rate Risk Management

Sanyo maintains an interest rate risk management strategy in which derivatives are used to reduce risk from interest rate fluctuations. Sanyo's goals are to manage interest rate sensitivity by modifying the characteristics of its debt and to lower the cost of its borrowing rates where possible.

Fair Value Hedges

Sanyo uses interest rate swaps to convert a portion of its nonprepayable fixed-rate debt into floating-rate debt. The resulting cost of funds is lower than it would be if floating-rate debt were issued directly. Under an interest rate swap contract, Sanyo agrees with other parties to exchange the difference between fixed-rate and floating-rate interest amounts calculated based on an agreed-upon notional amount.

The fair value of derivatives and changes in the fair value of the underlying hedged items are reported in the balance sheets. Changes in the fair value of these derivatives and underlying hedged items are generally offset and are recorded in each period as an interest expense. There were no transactions that ceased to qualify as fair value hedges for the year ended March 31, 2004.

Cash Flow Hedges

Sanyo has entered into pay fixed, receive floating interest rate swaps to hedge the interest rate exposure of future interest payments.

For these cash flow hedge transactions, the fair values of the derivatives are recorded in the balance sheets. The effective portion of changes in the fair values of these derivatives are first recorded in other comprehensive loss and are then reclassified as an interest expense in the period in which earnings are impacted by the hedged items. There were no transactions that ceased to qualify as cash flow hedges for the year ended March 31, 2004. The ineffective portions recorded as an interest expense in the current period were not material. Assuming that the market rate remains the same as the rate at March 31, 2004, a ¥496 million (US$4,679 thousand) loss, included in other comprehensive loss, net of taxes and minority interests of ¥1,097 million (US$10,349 thousand), is expected to be recognized in earnings over the next twelve months. The maximum term over which Sanyo is hedging exposure to the variability of cash flows is ten years.

15 STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), the entire amount of the issue price of new shares issued upon conversion to common stock of convertible debt is required to be capitalized as stated capital, although the Company may, by resolution of its Board of Directors, capitalize an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

The Code provides that an amount equivalent to at least 10% of cash appropriations of retained earnings be appropriated as a legal reserve until the aggregated amount of additional paid-in capital and the legal reserve equals 25% of a company's stated capital. The legal reserve of Sanyo, amounting to ¥36,328 million (US$342,717 thousand) and ¥35,336 million, was included in retained earnings at March 31, 2004 and 2003, respectively.

16 INCOME TAXES

Sanyo is subject to a number of different income taxes which, in aggregate, indicated a statutory income tax rate in Japan of approximately 42% for the years ended March 31, 2004, 2003 and 2002.

As a result of the Japanese Tax Reform Act, enacted on March 31, 2003, the Company's statutory income tax rate for the year ending March 31, 2005 will be reduced to 40.5%. The deferred tax assets and liabilities at March 31, 2004 were adjusted to reflect the revised tax rates.

Reconciliations of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2004, 2003 and 2002 are as follows:

	2004	2003	2002
Statutory income tax rate	**42.0%**	42.0%	42.0%
(Decrease) increase in taxes resulting from:			
Change in valuation allowance	**9.8**	(12.2)	1,076.1
Effect of change in statutory tax rate	**4.0**	(8.8)	—
Expenses not deductible for tax purposes	**0.3**	(0.8)	286.8
Tax credits	**(1.1)**	0.1	(150.3)
Differences in statutory tax rates of foreign subsidiaries	**(6.7)**	1.9	(935.3)
Other	**13.7**	(3.1)	(608.9)
Effective income tax rate	**62.0%**	19.1%	(289.6)%

The significant components of deferred income tax assets and deferred income tax liabilities at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Deferred income tax assets:			
Accrued pension and severance costs	**¥ 76,776**	¥110,254	**$ 724,302**
Accrued expenses	**15,695**	12,103	**148,066**
Operating loss carryforwards	**39,278**	35,175	**370,547**
Inventories	**8,323**	4,626	**78,519**
Allowance for doubtful accounts	**9,797**	11,936	**92,425**
Property, plant and equipment	**11,196**	10,709	**105,623**
Enterprise taxes	**664**	1,088	**6,264**
Long-term investments	**4,872**	43,805	**45,962**
Other	**21,046**	24,079	**198,547**
Gross deferred income tax assets	**187,647**	253,775	**1,770,255**
Less, valuation allowance	**(27,841)**	(25,360)	**(262,651)**
Total deferred income tax assets	**159,806**	228,415	**1,507,604**
Deferred income tax liabilities:			
Deferred income	**(5,811)**	(7,045)	**(54,821)**
Deferred expenses	**(70)**	(371)	**(660)**
Other	**(2,714)**	(1,067)	**(25,604)**
Gross deferred income tax liabilities	**(8,595)**	(8,483)	**(81,085)**
Net deferred income tax assets	**¥151,211**	¥219,932	**$1,426,519**

Net changes in the total valuation allowance for the years ended March 31, 2004 and 2003 were an increase of ¥2,481 million (US$23,406 thousand) and a decrease of ¥2,668 million, respectively.

Operating loss carryforwards of consolidated subsidiaries at March 31, 2004 amounted to approximately ¥67,549 million (US$637,255 thousand) and are available for offset against future taxable income of such subsidiaries. These will expire mainly in the periods from 2005 through 2047.

17 RESEARCH AND DEVELOPMENT, SHIPPING AND HANDLING, AND ADVERTISING EXPENSES

Research and development expenses for the years ended March 31, 2004, 2003 and 2002 were ¥125,206 million (US$1,181,189 thousand), ¥120,833 million and ¥107,044 million, respectively.

Shipping and handling expenses which are included in selling, general and administrative expenses for the years ended March 31, 2004, 2003, and 2002 were ¥45,119 million (US$425,621 thousand), ¥43,802 million and ¥44,415 million, respectively.

Advertising expenses which are included in selling, general and administrative expenses for the years ended March 31, 2004, 2003, and 2002 were ¥15,826 million (US$149,302 thousand), ¥15,839 million and ¥14,754 million, respectively.

18 INCOME (LOSS) PER SHARE

Income (loss) per share for the years ended March 31, 2004, 2003 and 2002 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	**2004**
Basic income per share calculation:				
Income (numerator):				
Net income (loss)	**¥13,400**	¥(61,671)	¥1,315	**$126,415**
Shares, thousands (denominator):				
Weighted average number of shares	**1,855,193**	1,863,198	1,870,510	
Basic income (loss) per share (yen and U.S. dollars)	**¥ 7.2**	¥ (33.1)	¥ 0.7	**$ 0.068**
Diluted income per share calculation:				
Income (numerator):				
Net income (loss)	**¥13,400**	¥(61,671)	¥1,315	**$126,415**
Interest on convertible bonds, net of tax	**—**	—	—	—
Adjusted net income (loss)	**¥13,400**	¥(61,671)	¥1,315	**$126,415**
Shares, thousands (denominator):				
Weighted average number of shares	**1,855,193**	1,863,198	1,870,510	
Assumed conversion of convertible bonds	**—**	—	—	
Assumed exercise of stock options	**100**	—	—	
Adjusted weighted average number of shares	**1,855,293**	1,863,198	1,870,510	
Diluted income (loss) per share (yen and U.S. dollars)	**¥ 7.2**	¥ (33.1)	¥ 0.7	**$ 0.068**

The calculation of the weighted average number of shares for diluted income per share for the years ended March 31, 2004 and 2003 did not include incremental shares of 48,164 thousand, respectively, from assumed conversions of convertible bonds since their effects were antidilutive.

19 SUPPLEMENTARY INFORMATION TO STATEMENTS OF INCOME AND CASH FLOWS

Supplementary information to statements of income for the years ended March 31, 2004, 2003 and 2002 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	**2004**
Other income:				
Exchange gain, net	**¥ —**	¥ —	¥ 3,307	**$ —**
Gain on sale of equity securities	**12,117**	6,038	—	**114,312**
Net rental income received	**4,604**	4,168	3,645	**43,434**
Equity in earnings of affiliated companies	**2,651**	3,150	1,211	**25,009**
Other	**8,181**	16,382	18,414	**77,179**
	27,553	29,738	26,577	**259,934**
Other expenses:				
Exchange loss, net	**16,508**	6,075	—	**155,736**
Evaluation loss on investment securities	**2,643**	78,197	22,109	**24,934**
Devaluation and disposal of investments and bad debts and other	**7,238**	22,306	—	**68,283**
Loss on disposal of fixed assets	**9,397**	5,638	3,654	**88,651**
Extra payments of retirement benefit	**6,208**	16,446	9,817	**58,566**
Provision for loss from real estate development	**7,570**	—	—	**71,415**
Other	**19,119**	42,023	29,444	**180,367**
	¥68,683	¥170,685	¥65,024	**$647,952**

Net rental income relates to mainly office space rent to third parties.

Other income for the year ended March 31, 2004 includes one time gain of ¥3,000 million (US$28,302 thousand) related to a patent settlement and various other non-recurring items.

Loss on disposal of fixed assets and extra payment of retirement benefit relates to the re-organization of the Company's business. The Company decided to transfer the manufacture function from domestic factories to overseas factories for mainly home appliances such as vacuum cleaners and microwave ovens for the year ended March 31, 2004 and for mainly home air conditioner for the year ended March 31, 2003, respectively.

Other expense for the year ended March 31, 2004 includes impairment losses on foreign joint venture investments amounting to ¥8,028 million (US$75,736 thousand), and on real estates amounting to ¥8,636 million (US$81,472 thousand).

Supplementary information relating to the statements of cash flows for the years ended March 31, 2004, 2003, and 2002 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	**2004**
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest	**¥14,104**	¥16,698	¥21,405	**$133,057**
Income taxes	**24,442**	25,062	27,513	**230,585**
Conversion of convertible bonds issued by a consolidated subsidiary	**430**	2	205	**4,056**

ChuoAoyama PricewaterhouseCoopers

To the Stockholders and the Board of Directors
SANYO Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of SANYO Electric Co., Ltd. and its subsidiaries as of March 31, 2004 and 2003 and the related consolidated statements of income, stockholders' equity and cash flows for the years ended March 31, 2004, 2003 and 2002, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The information relating to segments of a business enterprise required to be disclosed in financial statements by Statement of Financial Accounting Standards No. 131 under accounting principles generally accepted in the United States of America is not presented in the accompanying financial statements.

In our opinion, except for omission of the information as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SANYO Electric Co., Ltd. and its subsidiaries as of March 31, 2004 and 2003 and the results of their operations and their cash flows for the years ended March 31, 2004, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, "Restatement of Consolidated Financial Statements," the Company has restated previously issued financial statements.

ChuoAoyama PricewaterhouseCoopers.

Osaka, Japan
June 22, 2004

BOARD OF DIRECTORS AND CORPORATE AUDITORS

(As of June 29, 2004)

Executive Directors

Chairman
Satoshi Iue

Vice Chairman
Sadao Kondo

President
Yukinori Kuwano

Executive Directors
Toshimasa Iue
Yoichiro Furuse

Directors
Nobuaki Kumagai
Tomoyo Nonaka
Louis E. Lataif
Sunao Okubo
Hiromoto Sekino
Eiji Kotobuki
Tadahiko Tanaka

Corporate Executive Auditors

Ryota Tominaga
Takeshi Inoue

Corporate Auditors

Sotoo Tatsumi
Hiroshi Toda

OFFICERS

(As of June 29, 2004)

President, CEO & COO
Yukinori Kuwano

Executive Vice President & CMO
Toshimasa Iue

Executive Vice President & CFO
Yoichiro Furuse

Executive Officers
Hiromoto Sekino
Eiji Kotobuki
Tadahiko Tanaka
Yasusuke Tanaka
Satoshi Inoue
Osamu Kajikawa
Hiroshi Ono

Senior Officers
Fusao Terada
Akira Kan
Teruo Tabata
Mitsuru Honma
Shinichi Miki
Toshiaki Iue
Takenori Ugari
Yoshihiro Nishiguchi

Officers
Akiyoshi Takano
Tadao Shimada
Shosaku Kurome
Hideo Yamase
Shinya Tsuda
Itsuo Nakamura
Keiichi Yodoshi
Kenzo Kurokawa
Yoshio Iwasa
Nobuaki Matsuoka
Takuya Kobayashi
Tsutomu Nozaki
Michihiro Shigeta
Tsutomu Asano
Kohei Wakayama
Katsuhisa Kawashima
Kazuhiro Takeda

Principal Consolidated Subsidiaries/ Principal Overseas Subsidiaries and Affiliates

PRINCIPAL CONSOLIDATED SUBSIDIARIES

(As of March 31, 2004)

SANYO Electric Credit Co., Ltd.
Principal Business: Installment Sales, Leasing, and Financing

Tottori SANYO Electric Co., Ltd.
Principal Business: Manufacture and Sales of Electronic Parts

Niigata SANYO Electronic Co., Ltd.
Principal Business: Manufacture and Sales of Semiconductors

SANYO Telecommunications Co., Ltd.
Principal Business: Manufacture, Sales, and Installation of Telecommunications Equipment

KANTO SANYO Semiconductors Co., Ltd.
Principal Business: Manufacture and Sales of Semiconductors

SANYO Sales & Marketing Corporation
Principal Business: Sales, Export, and Import of Electrical Equipment

SANYO Electric Commercial Sales Co., Ltd.
Principal Business: Sales and Installation of Refrigerators/Freezers and Kitchen Appliances

SANYO Semicon Device Co., Ltd.
Principal Business: Sales of Semiconductors

SANYO North America Corporation
Principal Business: Sales of Electrical Equipment and Local General Businesses

SANYO Manufacturing Corporation
Principal Business: Manufacture and Sales of Color TVs and Others Products

SANYO Energy (U.S.A.) Corporation
Principal Business: Manufacture and Sales of Batteries

SANYO Electric (Hong Kong) Limited
Principal Business: Sales of Electrical Equipment

SANYO Semiconductor (H.K.) Co., Ltd.
Principal Business: Sales of Semiconductors

(The Company has a total of 109 consolidated subsidiaries—53 in Japan and 56 overseas.)

PRINCIPAL OVERSEAS SUBSIDIARIES AND AFFILIATES

(As of April 2004)

★Manufacturing Companies
●Sales Companies
■Other Companies

Consumer Business Group

★ SANYO Manufacturing Corporation, *Forrest City, Arkansas, U.S.A.*

★ SANYO E&E Corporation, *San Diego, California, U.S.A.*

★ SANYO Laser Products, Inc., *Richmond, Indiana, U.S.A.*

★ SANYO Industries (U.K.) Limited, *Lowestoft, United Kingdom*

★ SANYO España, S.A., *Barcelona, Spain*

★ SANYO Argo Clima S.r.l., *Gallarate, Italy*

★ Korea TT Co., Ltd., *Masan, Korea*

★ SANYO Electric Home Appliances (Suzhou) Co., Ltd., *Suzhou, China*

★ Suzhou SANYO Electro-Mechanical Co., Ltd., *Suzhou, China*

★ Shenyang SANYO Airconditioner Co., Ltd., *Shenyang, China*

★ Tesonic-Tottori SANYO Electric Co., Ltd., *Guangzhou, China*

★ Dalian SANYO Home Appliance Co., Ltd., *Dalian, China*

★ Guangdong SANYO Air Conditioner Co., Ltd., *Foshan, China*

★ Dongguan Huaqiang SANYO Electronics Co., Ltd., *Dongguang, China*

★ Tianjin SANYO Telecommunication Equipment Co., Ltd., *Tianjin, China*

★ Hefei Rongshida SANYO Electric Co., Ltd., *Hefei, China*

★ Guangzhou SANYO Car Electronics Co., Ltd., *Guangzhou China*

★ SANYO Electric (Taiwan) Co., Ltd., *Taiwan*

★ SANYO (Philippines), Inc., *Metro Manila, Philippines*

★ SANYO Universal Electric Public Co., Ltd., *Bangkok, Thailand*

★ SANYO Automedia Sdn. Bhd., *Penang, Malaysia*

★ SANYO Pt (M) Sdn. Bhd., *Johor, Malaysia*

★ SANYO Electric (Penang) Sdn. Bhd., *Penang, Malaysia*

★ SANYO Airconditioners Manufacturing Singapore Pte., Ltd., *Singapore*

★ P.T. SANYO Electronics Indonesia, *Bekasi, Indonesia*

★ P.T. SANYO Industries Indonesia, *Jakarta, Indonesia*

★ SANYO HA ASEAN Corporation, *Bien Hoa, Vietnam*

★ BPL SANYO Limited, *Bangalore, India*

● SANYO FISHER Sales (Europe) GmbH, *München, Germany*

● Tottori SANYO Procurement Center Sdn. Bhd., *Penang, Malaysia*

● SANYO Sales and Service Sdn. Bhd., *Petaling Jaya, Malaysia*

● SANYO Malaysia Sdn. Bhd., *Singapore*

● SANYO Airconditioners (Singapore) Pte. Ltd., *Singapore*

■ SANYO Automotive U.S.A., Inc., *Detroit, Michigan, U.S.A.*

■ SANYO Manufacturing S.A. de C.V., *Tijuana, Mexico*

■ SANYO E&E S.A. de C.V., *Tijuana, Mexico*

■ SANYO Digital Design (Shenzhen) Limited, *Shenzhen, China*

■ Shenzhen Huaqiang SANYO Technology Design Co., Ltd., *Shenzhen, China*

■ Guangdong Huaqiang SANYO Group Co., Ltd., *Dongguang, China*

Commercial Business Group

★ SANYO Gallenkamp PLC, *Loughborough, United Kingdom*

★ Dalian SANYO Cold-Chain Co., Ltd., *Dalian, China*

★ Dalian SANYO Refrigeration Co., Ltd., *Dalian, China*

★ Dalian SANYO Air Conditioner Co., Ltd., *Dalian, China*

★ Dalian Bingshan Metal Processing Co., Ltd., *Dalian, China*

★ Dalian Honjo Chemical Corporation, *Dalian, China*

● SANYO Gallenkamp B.V., *Breda, Netherlands*

● SANYO Commercial Refrigeration International Co., Ltd., *Hong Kong*

● SANYO SMI Thailand Co., Ltd., *Bangkok, Thailand*

■ Bonded Area Dalian SANYO Cooling & Heating Technology Co., Ltd., *Dalian, China*

■ Beijing SANYO Cleaning Co., Ltd., *Beijing, China*

■ Dalian Bingshan SANYO Cleaning Co., Ltd., *Dalian, China*

International Business Group

★ NEWSAN S.A., *Buenos Aires, Argentina*
★ SANYO da Amazônia S.A., *Manaus, Brazil*
● SANYO Canada Inc., *Concord, Ontario, Canada*
● SANYO Buro-Electronic Europa-Vertrieb GmbH, *München, Germany*
● SANYO Speachtek Limited, *Watford, United Kingdom*
● SANYO Airconditioners Europe S.r.l., *Milano, Italy*
● SANYO Portugal Electronica S.A., *Rio de Mouro, Portugal*
● SANYO Sales and Marketing (Korea) Corporation, *Seoul, Korea*
● SANYO Electric International Trading Co., Ltd., *Shanghai, China*
● SANYO Sales and Marketing (Shenzhen) Corporation, *Shenzhen, China*
● SANYO (Thailand) Co., Ltd., *Bangkok, Thailand*
● SANYO Australia Pty. Ltd., *Sydney, N.S.W., Australia*
● SANYO ARMCO (Kenya) Limited, *Nairobi, Kenya*
● SANYO South Africa (Pty) Ltd., *Sandton, South Africa*
■ SANYO Electric Service (Europe) Ag., *Basel, Switzerland*
■ SANYO Technical Service (H.K.) Ltd., *Hong Kong*
■ SANYO North America Corporation, *San Diego, California, U.S.A.*
■ SANYO Logistics Corporation, *Torrance, California, U.S.A.*
■ SANYO Customs Brokerage, Inc., *San Diego, California, U.S.A.*
■ SANYO Customs Brokerage S.A. de C.V., *Tijuana, Mexico*
■ SANYO Gulf FZE., *Dubai, United Arab Emirates*
■ SANYO Europe Ltd., *Watford, United Kingdom*
■ SANYO Electric (China) Co., Ltd., *Beijing, China*
■ SANYO Electric International Logistics (Shenzhen) Co., Ltd., *Shenzhen, China*
■ SANYO Electric (Hong Kong) Limited, *Hong Kong*
■ SANYO Asia Pte. Ltd., *Singapore*

Components Business Group

★ SANYO Energy (U.S.A.) Corporation, *San Diego, California, U.S.A.*
★ SANYO Electronic Device (U.S.A.) Corporation, *San Diego, California, U.S.A.*
★ SANYO Solar (USA) L.L.C., *Carson, California, U.S.A.*
★ MABE SANYO Compressors S.A. de C.V., *Sanluis Potosi, Mexico*
★ SANYO Component Europe GmbH, *München, Germany*
★ SANYO Hungary Kft., *Lörrach, Hungary*
★ Dioss Nýřany a.s., *Nýřany, Czech Republic*
★ Korea Tokyo Silicon Co., Ltd., *Masan, Korea*
★ Korea Tokyo Electronic Co., Ltd., *Masan, Korea*
★ SANYO Semiconductor (Shekou) Ltd., *Shenzhen, China*
★ Shenzhen SANYO Huaqiang Energy Co., Ltd., *Shenzhen, China*
★ Dongguan Huaqiang SANYO Motor Co., Ltd., *Dongguang, China*
★ Shenzhen SANYO Huaqiang Optical Technology Co., Ltd., *Shenzhen, China*
★ SANYO Electric (Shekou) Ltd., *Shenzhen, China*
★ Dalian SANYO Compressor Co., Ltd., *Dalian, China*
★ SANYO Energy (Suzhou) Co., Ltd., *Suzhou, China*
★ Suzhou SANYO Semiconductor Co., Ltd., *Suzhou, China*
★ Tianjin Lantain SANYO Energy Co., Ltd., *Tianjin, China*
★ SANYO Energy (Beijing) Co., Ltd., *Beijing, China*
★ SANYO GS Battery (Shanghai) Ltd., *Shanghai, China*
★ Qingdao SANYO Electric Co., Ltd., *Qingdao, China*
★ Tottori SANYO Electric (Shenzhen) Co., Ltd., *Shenzhen, China*
★ SANYO Electronic Components (Suzhou) Co., Ltd., *Suzhou, China*
★ China Resources (Shenyang) SANYO Compressor Co., Ltd., *Shenyang, China*
★ SANYO Optical Component (Huizhou) Co., Ltd., *Huizhou, China*
★ SANYO Motor Parts (Shenzhen) Co., Ltd., *Shenzhen, China*
★ SANYO Energy (Hong Kong) Company Limited, *Hong Kong*
★ SANYO Semiconductor Electronics (H.K.) Co., Ltd., *Hong Kong*
★ SANYO Electronic Components (HK) Ltd., *Hong Kong*
★ SANYO Optronics (Hong Kong) Company Limited, *Hong Kong*
★ Tottori SANYO Electric (Hong Kong) Limited, *Hong Kong*
★ SANYO Electronic (Taichung) Co., Ltd., *Taiwan*
★ SANYO Energy (Taiwan) Co., Ltd., *Taiwan*
★ SANYO Semiconductor Manufacturing Philippines Corporation, *Tarlac, Philippines*
★ SANYO Capacitor (Philippines) Corporation, *Tarlac, Philippines*
★ Tottori SANYO Electric (Philippines) Corporation, *Cavite, Philippines*
★ SANYO Semiconductor (Thailand) Co., Ltd., *Utai, Thailand*
★ SANYO Precision Singapore Pte. Ltd., *Singapore*
★ P.T. SANYO Energy Batam, *Batam Island, Indonesia*
★ P.T. SANYO Compressor Indonesia, *Bekasi, Indonesia*
★ P.T. Jaya Indah Casting, *Bekasi, Indonesia*
★ P.T. SANYO Jaya Components Indonesia, *Bogor, West Java, Indonesia*
★ P.T. SANYO Precision Batam, *Batam Island, Indonesia*
● SANYO Semiconductor Corporation, *Allendale, New Jersey, U.S.A.*
● SANYO GS Soft Energy USA Inc., *Irvine, California, U.S.A.*
● SANYO Semiconductor Distribution (USA) Corporation, *Norwood, New Jersey, U.S.A.*
● SANYO Energy (UK) Company Limited, *Hemel Hempstead, United Kingdom*
● SANYO Semiconductor Taipei Co., Ltd., *Taiwan*
● SANYO Semiconductor (H.K.) Co., Ltd., *Hong Kong*
● SANYO Semiconductor (S) Pte., Ltd., *Singapore*
● SANYO Energy (Singapore) Corporation Pte., Ltd., *Singapore*
● SANYO Electronic Components (Singapore) Private Limited, *Singapore*
■ SANYO Energy, S.A. de C.V., *Tijuana, Mexico*
■ SANYO Video Components S.A. de C.V., *Tijuana, Mexico*
■ SANYO LSI Technology India Private Limited, *Bangalore, India*

SANYO Electric Co., Ltd. Head Office

■ SANYO Electric Finance (USA) Corporation, *New York, New York, U.S.A.*
■ SANYO Electric International Finance (UK) PLC, *Watford, United Kingdom*
■ SANYO Electric Finance Netherlands B.V., *Amsterdam, Netherlands*
■ BPL SANYO Finance Limited, *Bangalore, India*

Investor Information

HEAD OFFICE
5-5, Keihan-Hondori 2-chome, Moriguchi City, Osaka 570-8677, Japan
Telephone: +81-6-6991-1181
Facsimile: +81-6-6991-2086 (Corporate Communications Unit)
http://www.sanyo.co.jp/

U.S. CONTACT ADDRESS
SANYO North America Corporation
(Head Office)
2055 Sanyo Avenue, San Diego, CA 92154, U.S.A.
Telephone: +1-619-661-1134
Facsimile: +1-619-661-6795

FOUNDATION
Founded: February 1947 Incorporated: April 1950

COMMON STOCK (As of March 31, 2004)
Authorized: 4,921,196,000 shares Issued: 1,872,338,099 shares

CAPITAL (As of March 31, 2004)
¥172,242,294,083

NUMBER OF STOCKHOLDERS (As of March 31, 2004)
218,401

LISTINGS
Common stock is listed on the Tokyo, Osaka, and three other domestic stock exchanges. Overseas listings are on the Amsterdam, Frankfurt, Swiss, and Paris exchanges. American Depositary Shares for common stock are quoted in the NASDAQ System in the United States.

TRANSFER AGENT
The Sumitomo Trust & Banking Co., Ltd., 5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

COMMON STOCK PRICE RANGE
The highs and lows of Sanyo common stock on the Tokyo Stock Exchange for each quarter of fiscal 2004, 2003, and 2002 are as follows:

	Fiscal 2004		Fiscal 2003		Fiscal 2002	
	High	**Low**	High	Low	High	Low
First quarter	**¥426**	**¥326**	¥633	¥488	¥847	¥717
Second quarter	**531**	**413**	568	406	791	418
Third quarter	**562**	**448**	417	264	706	435
Fourth quarter	**614**	**483**	371	305	680	467

CASH DIVIDENDS
Interim and year-end cash dividends per share paid to stockholders for fiscal 2004, 2003, and 2002 are as follows:

2004-II	**2004-I**	2003-II	2003-I	2002-II	2002-I
¥3.00	**¥3.00**	¥3.00	¥3.00	¥3.00	¥3.00

For further information and additional copies of our annual report and other publications, please write to the Corporate Communications Unit at our head office.

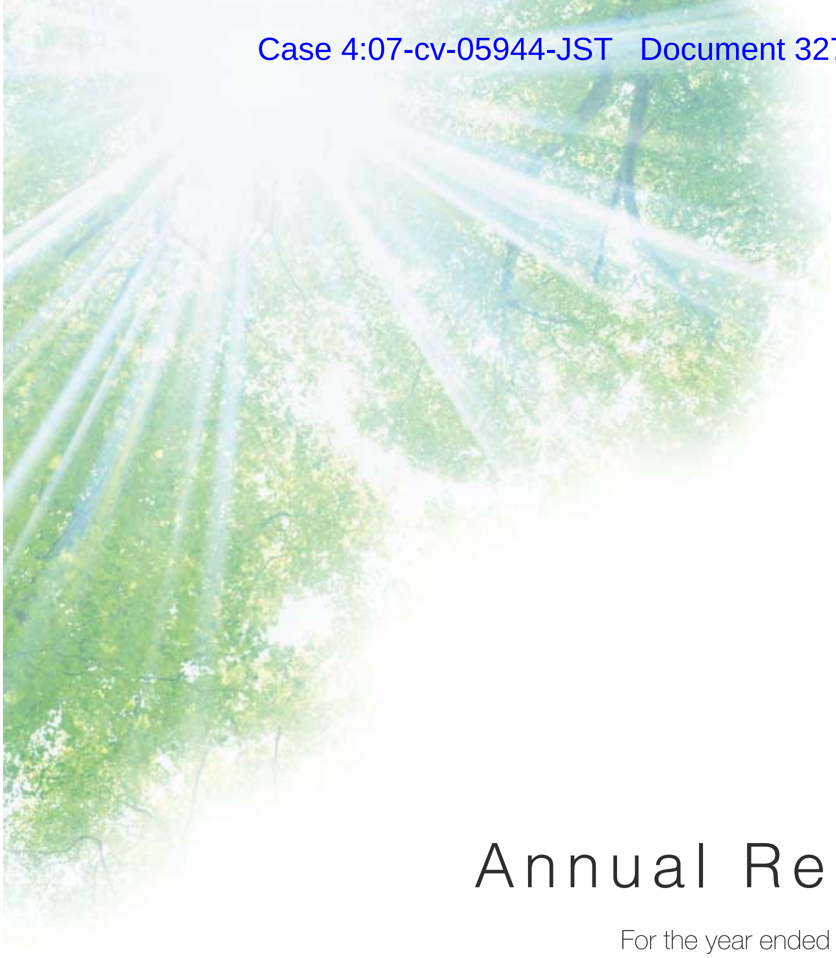
SANYO Electric Co., Ltd.

PRINTED WITH SOY INK™

Printed in Japan on 100% recycled paper and nonwood paper

EXHIBIT M

SANYO



Annual Report 2005

For the year ended March 31, 2005

Profile

SANYO Electric Co., Ltd. was founded in 1947 and incorporated in 1950. The Company now manufactures and provides a broad range of electric products and services, which are grouped into four segments: Consumer, Commercial, Components and Others. Sanyo's net sales for the fiscal year ended March 31, 2005 amounted to ¥2,484.6 billion (US$23,221 million).

In Japanese, the name Sanyo means “three oceans”. In regard to this name, Sanyo's founder, Toshio Iue, stated at the Company's management policy announcement meeting, held in January 1961: “The name Sanyo represents the Pacific, Atlantic and Indian oceans; in other words, the entire world.” Today, Sanyo is truly international, comprising 87 manufacturing companies, 40 sales companies and 39 other companies outside Japan.

Sanyo's leading business domains are “Digital & Devices (D&D)” and “Energy & Ecology (E&E)”. Our D&D business focuses on Sanyo's unique electronic devices, and digital equipment making use of such devices. By mobilizing our technological capabilities to provide people with pleasure and excitement, Sanyo will continue to support multimedia in the 21st century. Regarding our E&E business, based on Sanyo's corporate slogan “We care for people and the earth” we have implemented R&D activities to minimize environmental impact so as to provide solutions to achieve two goals: global environmental protection and the realization of pleasant lifestyles.

Thus far, Sanyo has pioneered the development of HIT solar cells featuring unique structure and high power conversion efficiency. Also, our lithium-ion batteries, with the world's top-level capacity, have gained a major share of the global market.

On the basis of these technological capabilities and Sanyo's market position, we have actively expanded our E&E business both at home and overseas, especially in Europe, where people have a high level of environmental awareness. For example, we established plants in Hungary to produce solar cell modules and air conditioners for industrial and commercial use.

Notice Related to Future Outlook

All statements in this annual report, other than past factual matters, represent outlooks for projected future results and are in accordance with Sanyo's present plans, outlook, and strategies, based on management judgments in light of currently available information. Therefore, Sanyo does not guarantee the accuracy and reliability of information it receives, and requests that you do not rely on this information alone.

There are various risks and uncertainties relating to factors that cause changes in business results. The principal factors influencing results include 1) large changes in economic conditions and capital markets, as well as changes in consumption in businesses in which Sanyo engages, 2) the effects of changes in exchange rates between the yen and the dollar, as well as the yen and other currencies, on Sanyo's international business activities, 3) various trade restrictions in the markets of individual countries, and 4) Sanyo's ability to provide new technologies, new products and new services amid rapid technological innovation in information technology (IT), market competition and price competition. However, it should be noted that factors affecting Sanyo's performance are not limited to the factors mentioned above and that there are other factors that pose latent risks and uncertainties.

In this annual report, “the Company” refers to SANYO Electric Co., Ltd., and “Sanyo” to SANYO Electric Co., Ltd., and its subsidiaries, unless otherwise specified.

Contents

Cover photo: Solar Ark

Solar Ark is housed in the SANYO Gifu plant, symbolizing clean energy in harmony with the global environment through the use of solar power. The “SANYO Environmental Fund” allots funds equal to the value of electric power generated by the Solar Ark, to support campaigns for environmental protection.

Financial Highlights

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2005, 2004 and 2003

	Millions of Yen			Thousands of U.S. Dollars (Note a)
	2005	2004	2003	**2005**
Net Sales	**¥2,484,639**	¥2,508,018	¥2,182,553	**$23,220,925**
Operating income(Note b)	**42,316**	95,551	78,299	**395,476**
Net (loss) income	**(171,544)**	13,400	(61,671)	**(1,603,215)**
Total stockholders' equity (at year –end)	**288,268**	497,302	426,026	**2,694,094**
Total assets (at year –end)	**2,600,677**	2,643,627	2,686,967	**24,305,393**
	Yen			U.S. Dollars (Note a)
Per share (Note c):				
Net (loss) income:				
Basic	**¥(92.5)**	¥7.2	¥(33.1)	**$(0.86)**
Diluted	**(92.5)**	7.2	(33.1)	**(0.86)**
Cash dividends declared	**3.0**	6.0	6.0	**0.03**
Per American Depositary Share (Note c & d):				
Net (loss) income:				
Basic	**¥(462.5)**	¥36.0	¥(165.5)	**$(4.32)**
Diluted	**(462.5)**	36.0	(165.5)	**(4.32)**
Cash dividends declared	**15.0**	30.0	30.0	**0.14**

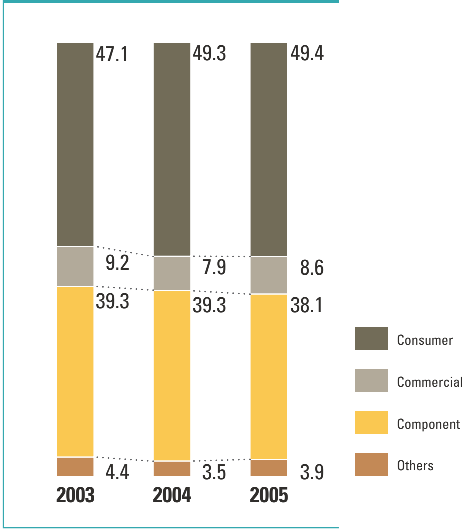
Note: (a) U.S. dollar amounts translated from yen, for convenience only, at the rate of ¥107=US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2005. See Note 2 of Notes to Consolidated Financial Statements.

(b) To be consistent with financial reporting principles generally accepted in Japan, operating income (loss) is calculated as net sales and operating revenue less cost of sales and selling, general administrative expenses. The Company considers showing operating income (loss) convenient for investors to compare Sanyo's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges-for example, restructuring and impairment charges and abnormal product warranty costs-are included as part of operating income (loss) in the consolidated statements of operations.

(c) See note 2 and 19 Notes to Consolidated Financial Statements.

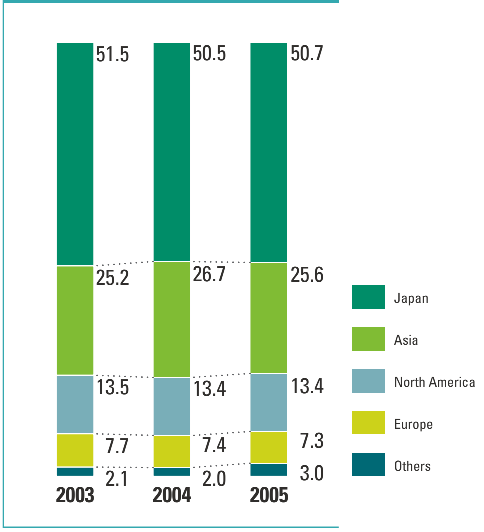
(d) One American Depositary Share represents five shares of common stock.

SALES BY PRODUCT CATEGORY (%)



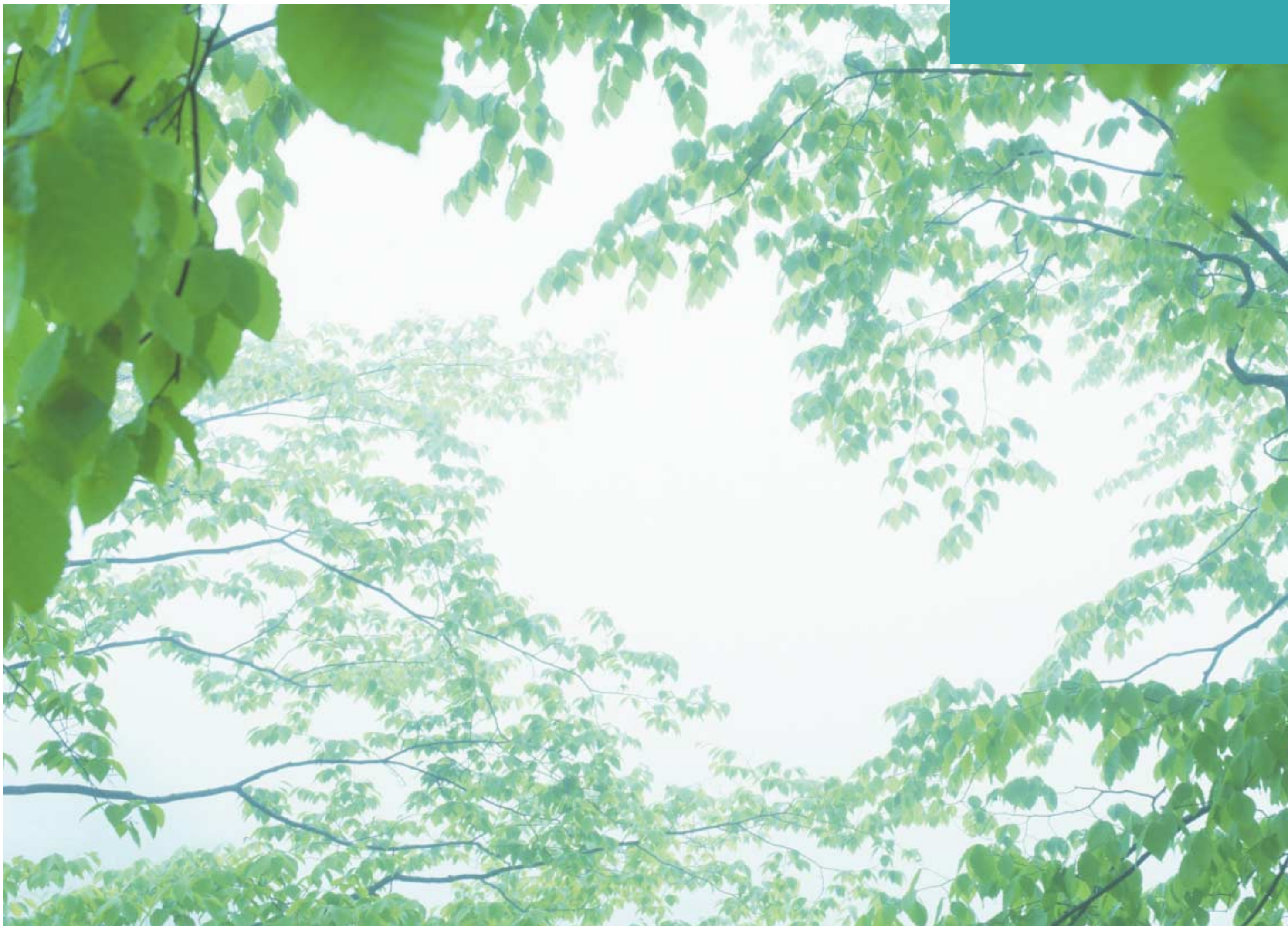
Note: This graph shows figures for sales to external customers only. From the fiscal year ended March 31, 2005, Sanyo changed the product categories contributing to net sales. The new categories are Consumer, Commercial, Component and Others.

SALES BY AREA (%)



Note: This graph shows figures for sales to external customers only, according to the geographic regions of customers.

To Our Stakeholders



Overcoming a challenging business climate through company-wide structural reforms to strengthen our corporate competitiveness

■Fiscal Year Ended March 2005 in Review

(SANYO Electric Co.,Ltd and Subsidiaries for the years ended March 31, 2005, and 2004.)

	Unit: 100 millions of yen		Unit: millions of U.S.dollars
	2005	2004	2005
Net sales	24,846	25,080	23,221
Operating income(*)	423	955	395
(Loss) income before income taxes and minority interests	(649)	459	(607)
Net (loss) income	(1,715)	134	(1,603)
Cash dividends declared(Yen & U.S. dollars)	3.0	6.0	0.03
Net (loss) income per share(Yen & U.S. dollars)	(92.5)	7.2	(0.86)

(*) To be consistent with financial reporting principles generally accepted in Japan, operating income (loss) is calculated as net sales and operating revenue less cost of sales and selling, general administrative expenses. The Company considers showing operating income (loss) convenient for investors to compare Sanyo's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges-for example, restructuring and impairment charges and abnormal product warranty costs-are included as part of operating income (loss) in the consolidated statements of operations.

Largest deficit ever

The business environment in which Sanyo operated during the fiscal year ended March 31, 2005 was the most challenging it has ever faced, characterized by increasingly fierce global competition, a rise in the yen against the dollar, a surge in raw material costs and a drop in product prices.

In this context, consolidated net sales slipped 0.9% year-on-year to ¥2,484.6 billion (US$23,221 million). Operating income was ¥42.3 billion (US$395 million), representing a ¥53.2 billion drop (55.7%) from the previous year caused by an approximately ¥31.0 billion opportunity loss in the semiconductor industry due to the Niigata Chuetsu Earthquake and ¥22.2 billion in other losses. A revaluation of deferred tax assets that resulted in the liquidation of part of the assets generated the largest-ever net loss of ¥171.5 billion (US$1,603 million). Term-end dividends were passed over, and the dividend for the fiscal year was ¥3 (US$0.03)per share.

Explanation of factors behind decline in business results

①Impact of Niigata Chuetsu Earthquake
The largest single factor in worsening our business performance was the damage suffered by NIIGATA SANYO ELECTRONIC CO.,LTD., a consolidated subsidiary engaged in front-end processing (wafer processing) for semiconductor manufacture, in the Niigata Chuetsu Earthquake on October 23, 2004. This damage caused the Company ¥73.3 billion in losses (approx. ¥31.0 billion in opportunity losses and ¥42.3 billion in damage to plant and equipment) during the fiscal year ended March 31, 2005.

②Downturn in mainstay business
Increasing competition in the digital household appliance sector, falling product prices, burgeoning raw material costs, rising R&D expenses and other factors all blunted the growth in Consumer & Component Divisions' businesses, and a considerable operating loss of ¥22.2 billion resulted from factors other than the earthquake.

③Revaluation of deferred tax assets
The Niigata Chuetsu Earthquake brought about major losses in the fiscal year ended March 31, 2005, and for the fiscal year ended March 31, 2006, we are planning company-wide structural reforms, including reforms to our semiconductor business, aimed at establishing a high-profit structure. Given the bleak outlook for earnings and expenses, we decided in the closing of accounts for the fiscal year ended March 31, 2005 to review the valuation of our deferred tax assets and liquidate ¥128.9 billion (US$1,205 million).

Launching structural reforms in our semiconductor business

In the semiconductor business, rather than focus on the general-purpose memory business, in which fierce competition in capital expenditure is expected, Sanyo will focus more on the businesses of mobile devices, power supply and automobile-related semiconductors to achieve high-growth profits. This will enable us to effectively use our digital and mixed signal technologies, which are our strengths. Through these reforms, we aim to ensure profits in the fiscal year ended March 31, 2006. NIIGATA SANYO ELECTRONIC CO., LTD., which was affected by the Earthquake, reduced its production lines from five to two, and cut employees' wages. Moreover, we are planning to reduce costs through domestic personnel redeployments, as well as by integrating wafer manufacturing divisions (in Niigata, Gifu and Gunma Prefectures) into a new manufacturing company.

Direction of our LCD business

As a joint venture in the LCD business with Seiko Epson Corporation, we established SANYO EPSON IMAGING DEVICES CORPORATION, which commenced operation on October 1, 2004. Seiko Epson has a 55% stake in that new company and Sanyo Electric has 45%. SANYO EPSON IMAGING DEVICES CORPORATION was accounted for by the equity method; this was a factor contributing to the decline in our sales. The new company, which was created by integrating LCD businesses owned by Seiko Epson and Sanyo, aims to be the world's top manufacturer of small and medium-size LCDs mainly used in cellular phones, digital cameras and vehicles.

Revitalization of the Tokyo Plant

On April 1, 2004, we established a new manufacturing company, SANYO Tokyo Manufacturing Co., Ltd. in our Tokyo Plant in Gunma Prefecture. This new firm has collectively produced commercial air conditioners, food systems, bio-related equipment, large refrigerators and CO_2 compressors, previously manufactured by individual in-house companies. This integration of our HVAC (heating, ventilating and air conditioning business) businesses has yielded various benefits for us. For example, the employment of flexible and diverse working systems that can be tailored to demand has enabled us to improve production efficiency. Other benefits include improved product quality resulting from sharing the expertise of individual in-house companies, and cost reductions thanks to joint purchase of materials.

We also are constructing a new technology development facility to strengthen our technological development capabilities. After completing the east building in April 2005, we launched construction of the west building. The entire facility is slated for completion in the spring of 2006. This new facility will house the development departments of high-growth businesses relating to environmental and energy technologies, biotechnology and optical device technology. The facility will serve as a Sanyo Group R&D stronghold, whose capabilities will take our development of technology to new heights.

Home appliances segment structural reforms and their benefits

While establishing SANYO Tokyo Manufacturing Co., Ltd. to reinforce our domestic production base, by the fiscal year ended March 31, 2004, we had shifted overseas the manufacture of products other than high value-added products. At present, we are reorganizing our production system in the ASEAN region as follows:

① In April 2004 we established SANYO HA ASEAN CORPORATION to oversee our home appliances business in the ASEAN region.

② In February 2005, after ceasing the production of air conditioners in Singapore, we shifted such production to China. In June 2004 we ceased production of refrigerators in the Philippines and moved that production facility to Thailand, where we are planning to begin manufacturing air-conditioners in the fiscal year ended March 31, 2007, and to strengthen our washing machine and refrigerator business there.

③ In April 2005, to reinforce our refrigerator business, we integrated the refrigerator assembly business and compressor business in Indonesia.

In the fiscal year ended March 31, 2005, although operating profits improved from the previous year, we could not return to the black, due to the impacts of falling unit prices and rising raw material prices.

However, having concluded restructuring of our domestic and overseas production networks, since the fiscal year ended March 31, 2005, Sanyo has strengthened other measures for overseas business development. We have used our strengths, which lie in technological, production and sales capabilities and in brand power, all of which Sanyo has developed over the years, so as to stimulate overseas customer needs and boost sales. In fact, we achieved earnings growth in Taiwan and Indonesia by introducing refrigerator models tailored to the local residents in those countries.

Moreover, we aim to develop new products that will clearly differentiate Sanyo from competitors by effectively applying our industrial equipment technologies to home appliance equipment, so as to garner a large market share.

(A Sanyo plasma TV "CAPUJO")

Stockholders' Equity

At March 31, 2005, stockholders' equity stood at ¥288.2 billion (US$2,694 million), decreased by ¥247.5 billion compared with that at the end of the fiscal year ended March 31, 2002. Cumulative operating income over the past three years amounted to ¥216.1 billion, but the costs associated with the structural reforms that we have undertaken to improve our profit structure, financial restructuring needed to strengthen our balance sheet, losses suffered in the Niigata Chuetsu Earthquake, and a revaluation of deferred tax assets produced cumulative net losses for these past three years of ¥219.8 billion, the principal reason for the decline in stockholders' equity. Total assets were ¥2,600.7 billion (US$24,305 million), down ¥83.2 billion from the figure three years ago.

Total interest-bearing debt as of March 31, 2005 was ¥1,213.8 billion (US$11,345 million), up ¥120.6 billion from the end of the previous fiscal year. This increase is due to the syndicate loan of ¥100.0 billion taken out to cover restoration costs stemming from the earthquake to fund capital expenditure in solar cells, and so on.

The stockholders' equity ratio fell to 11.1% while the debt equity ratio exceeded a multiple of 4, making all the more urgent the need to strengthen Sanyo's financial standing.

In an effort to reduce interest-bearing debt, we will be reviewing the assets of individual businesses and implementing thorough inventory control and investment/loan management.

Free cash flow saw a substantial cash outflow of ¥78.5 billion (US$734 million), in contrast to the ¥4.9 billion cash outflow of the preceding fiscal year, due to the Company's largest net loss ever and to an increase in inventories. Nevertheless the term-end balance of cash and cash equivalents rose ¥17.5 billion year-on-year from ¥277.4 billion to ¥294.9 billion (US$2,757 million) because of the ¥100.0 billion syndicate loan taken out, maintaining the term-end balance from the previous fiscal year.

Increasing Stockholder Value

D&D-related businesses have been a driver of profit growth at Sanyo. We have therefore used profits from these businesses as capital for restructuring our unprofitable operations thus far. Also, we initially planned to earn profits from E&E-related businesses after structural reforms had achieved their major aims. However, in the fiscal year ended March 31, 2005 our stockholder's equity decreased. The reasons for this are: declining profitability and changes in the business climate regarding digital consumer products; damage and loss due to the Niigata Chuetsu Earthquake; and revaluation of deferred tax assets. Therefore, in the fiscal year ended March 31, 2006 our first priority is to carry out reforms with the goals of establishing a "business configuration that enables further growth" and a "sound financial structure"so that we can soon regain profitability.

Capital Investment and R&D

① Capital investment in the Fiscal Year Ended March 2005

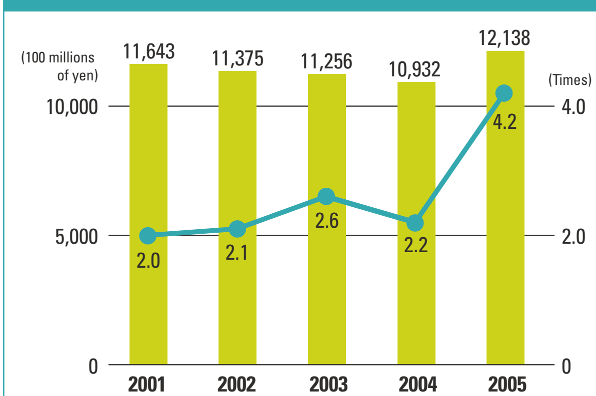
Because of the damage caused by the Niigata Chuetsu Earthquake, capital investment was reduced to ¥104.9 billion (US$980 million) (4.8% down from the previous year), and R&D expenditure increased to ¥131.8 billion (US$1,232 million) (5.3% up from the previous year).

② Plan and basic policy for the Fiscal Year Ended March 2006

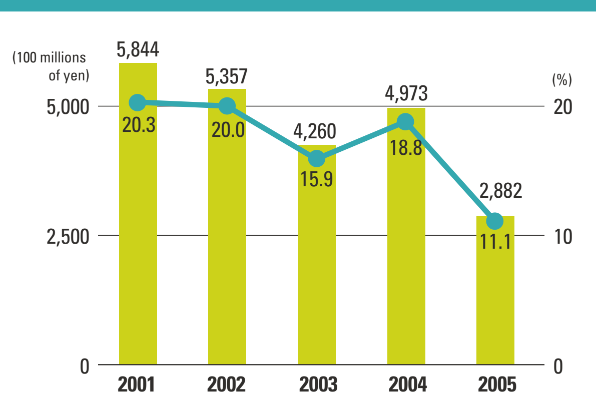
In the fiscal year ended March 31, 2006 we are going to reduce capital investment, investing ¥91.0 billion (US$850 million), a 13.3% decrease from the previous year. We also plan to invest ¥128.0 billion (US$1,196 million), 2.9% decrease from the previous year, in our research and development.

Since we are carrying out structural reforms across the Company, we will curb total capital investment with the aim of building a "sound financial structure." However, we are planning to invest heavily in high growth businesses such as solar cells and lithium-ion batteries.

Interest-bearing Debt and Debt Equity Ratio



Stockholders' Equity and Stockholders' Equity Ratio



Management Reforms

On April 1, 2005, we implemented organizational reforms to further evolve our management systems. These reforms focused on the “subdivision and reorganization of the previous Business Group and Business Unit Systems into the eight Business Groups,” and “the realization of a small, strong headquarters.”

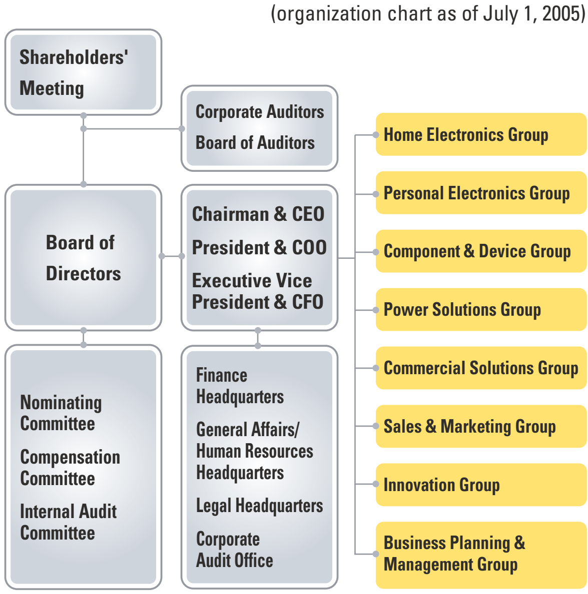
The purposes of these reforms are to quickly cope with the rapid and severe changes in the management climate, to become a more customer- and market-oriented company, and to facilitate speedy decision-making.

Through these structural reforms, under which Sanyo was reorganized into the eight Business Groups, we clarified Sanyo's future priority business domains.

Moreover, to stimulate our future growth, we established Brand Development H.Q., HA International H.Q., OEM Sales H.Q., Corporate Cross-Functional Management H.Q., and so on. Each of these headquarters will play respective roles in rebuilding the Sanyo brand, boosting overseas sales, strengthening OEM strategies and reinforcing functions across the Sanyo group, so as to bolster our business competitiveness.

On the basis of the new organizational system, the management has also been reshuffled. In so doing, we intend to overcome and emerge from the difficult management situation concentrating our management resources into “businesses that enable our further growth,” as well as further accelerate our efforts to establish a “sound financial structure.”

(organization chart as of July 1, 2005)



Corporate Governance

We reduced the number of directors to facilitate prompt decision-making by the Board of Directors. Also, to enhance management transparency, we clearly separated our monitoring and supervisory functions from our business execution functions. Specifically, the Company equalized in number the board members – i.e., the five directors including the chairman of the board and the outside directors, who are dedicated to monitoring and supervisory roles, and the five directors including the Chairman & CEO, President & COO, who serve concurrently in overseeing business execution. Therefore, business execution activities are strictly monitored by this governance system.

To speed up and optimize decision-making and business execution on important business items delegated by the board, we newly established the “Group Executive Committee,” comprised of those at business group leader and higher levels. In addition, to promote coordination among the respective business groups, we organized the “E&E Steering Committee,” the “D&D Steering Committee” and the “C&C (Community & Capital) Steering Committee”. These domain committees work with the All Officers Meeting and the Business Unit Leader Meeting in seeking opportunities to boost the company management ability of Sanyo.

We have also redoubled our compliance efforts.
We have established Sanyo's compliance promotion system, under which the CEO is responsible for overall compliance management. Based on the system, we strengthened compliance education to raise compliance awareness of employees. The Internal Audit Committee, a specialized body of the Board of Directors, has implemented measures for directors, officers and managers to ensure their compliance with relevant laws and regulations.
These measures include holding compliance hearings for heads of each in-house company in Japan, and organizing compliance promotion meetings to ensure compliance among affiliated companies in North America.

Plan for the Fiscal Year Ended March 2006

Our goals for the fiscal year ended March 31, 2006 are to build a “business configuration that enables further growth” and establish a “sound financial structure.” with these goals in mind, we will carry out the following reforms.

We will implement company-wide structural reforms (reform of profit structures), as our urgent management task.

In conjunction with management reorganization, we will reform the structure of our businesses so as to build a “business configuration that enables further growth” by selecting and focusing on business domains that meet the following three conditions: First, the business has core competence (source of competitiveness); second, it has growth potential; and third, it makes a major contribution to society.

At the same time, we will re-establish our financial base by downsizing assets, reducing interest-bearing debt and other measures, so as to realize a “sound financial structure.”

Although the business climate surrounding Sanyo is the most challenging Sanyo has seen since its founding, we would like to unite all Sanyo Group efforts in accomplishing the structural reforms, with the goals of realizing a “business configuration that enables further growth” and a “sound financial structure.” We ask our stakeholders' kind understanding and continued support in this endeavor.

July 2005

Tomoyo Nonaka
Chairman & Chief Executive Officer

Toshimasa Iue
President & Chief Operating Officer

Tomoyo Nonaka, Chairman and CEO (left), and
Toshimasa Iue, President and COO

Asking Sanyo's New Chairman & CEO, Tomoyo Nonaka

Chairman and CEO

Tomoyo Nonaka

"To Be an Earth-friendly Company": Sanyo Will Change with Employees in Realizing Its Transformation.

Tomoyo Nonaka, who was newly appointed Chairman and CEO of Sanyo on June 29, 2005, talks about Sanyo's future vision and prospects.

Q. Based on your experience and the knowledge you've acquired thus far, what do you think is required of a company by society and the times?

I've realized that there has been a "great transformation in values" on all fronts. It has been 60 years since Japan's defeat in the last war. Arising from a devastated land where people could not even get enough food, Japan has now become the world's largest creditor nation, and is awash with a wealth of goods. However, people have begun to be aware that they can never be happy with material wealth and convenience alone.

There is a clock called the "Environmental Doomsday Clock."* Through the time expressed by its hands, this Clock reflects people's sense of crisis regarding human survival in the face of global environmental deterioration. For 2004, the hands on the Clock pointed at 9:08, meaning that we entered the "extremely concerned" time zone.

We have a little more time until 12:00, when the Clock shows doomsday for the human race. Nevertheless in the present age, when the Earth is on the verge of ecological collapse, enterprises that will play leading roles in the next age need to take measures to cope with environmental issues, and must have the knowledge needed to turn the clock backward so as to save the earth. Also, they must attach great importance to the "scale of life".

The "scale of life" is the single most important measure of values. This scale can be applied universally, irrespective of differences in nationality, religion or skin colors. In this age of information technology, which enables instant communication, diverse values coexist. Under such circumstances, I believe that people will eventually realize anew that the most important for humans is "life," which is of fundamental value.

In the present age, on the other hand, a storm of "money games" is blowing across national borders, reflecting the belief that money brings us everything. While building up the ability to properly cope with such trends, a leading company of the 21st century should strive to be a company that can constantly contribute to the fundamental value of human life through manufacturing.

* The Environmental Doomsday Clock announces the findings of a questionnaire put by the Asahi Glass Foundation to experts in environmental issues from around the world.

Q. In that context, what do you think of the ideal mode of Sanyo?

In the past, when electronics products were regarded only as daily necessities, we were able to satisfy our customers simply by offering good products at low prices. From now on, however, we must offer more attractive products that customers wish to select (i.e., products with which they wish to live).

It is therefore necessary for our company to make a valuable contribution–for example, in terms of its role in resolving global environmental issues–a contribution designed to increase public awareness of the issues.

Sanyo aims to be an "Earth-friendly Company." In other words, we intend to become a solution provider able to offer values that benefit the global environment.

Sanyo aggressively continued research and development investment regarding technologies that protect the global environment. This has resulted in the development of unique Sanyo technologies, incorporated in an excellent array of products such as solar cells, which make use of sunlight to generate energy, CO_2 compressors that help prevent global warming, rechargeable batteries, which will support the future automobile society, and fuel cells for household use, which are expected to provide clean energy for the next generation, all of which feature the world's leading technologies and are attracting great attention. These various technologies unique to Sanyo have the potential to resolve global environmental problems. I believe Sanyo's mission is to translate its unique technologies into products and services for delivery to people around the world. This will also lead to the creation of great business opportunities for us.

Sanyo has held the lead in the washing machine market in Japan ever since it released the nation's first pulsator-type washing machines after the war. The original motivation behind this was how Sanyo cared deeply about customers–especially housewives and mothers–in other words, the sincere wish to help them do household chores.

At all events, I understand that we should begin by improving our financial standing, regarding which we regret having caused our stockholders much worry. I am also aware that Sanyo must now return to its founding spirit and strive to make itself indispensable to people around the world. In so doing, our employees can take pride in their company, and will work to transform Sanyo into a company that pleases many people. I believe that this will lead to Sanyo's "third founding."

Q. What do you think are Sanyo's strengths and weaknesses?

Since April this year, in line with the concept "wisdom is found at the worksite," I have visited as many business establishments as possible and talked directly with many employees. During those visits, I saw exactly what I had expected to see. I reaffirmed that Sanyo has technologies superior to other companies, as well as excellent human resources that support those technologies. In other words, Sanyo has many outstanding intangible assets that are not stated in the financial statements.

However, I think that until now Sanyo has not been very good at integrating these assets and demonstrating their outcomes outside the company. This holds true for our products, designs, advertising and public relations. I have concluded that this was because Sanyo's "antenna" was not appropriately tuned to catch the trends, nor did Sanyo have good "footwork" in responding to trends in a timely manner. In addition, Sanyo employees did not take pride in their company, and information sharing in the company was not sufficient.

Further, when I talked with employees, I told them ,"There is a great difference between aiming to achieve a 0% failure rate and aiming to achieve a 100% success rate. Every failure is a stepping stone to success. Failure teaches success. Therefore, let's give it a try, so as to achieve a 100% success rate." It is each and every employee who can transform Sanyo. I believe that it is important for us to consider what Sanyo should be like, and earnestly work to realize its ideal mode, based on what we have now, without being afraid of failure.

Moreover, I plan to strengthen Sanyo's functions as regards disseminating information to the public. Now that we have valuable technologies and businesses that can delight people, all employees will make an effort to recognize and demonstrate Sanyo's strengths to the public, through active dialog with customers and markets.

Q. In closing, please send a powerful message to Sanyo stakeholders.

I am confident that, among all electric companies, Sanyo has the greatest potential to become an "Earth-friendly Company." Achieving this goal also means becoming a company whose stakeholders can be proud of their part in success.

Sanyo's new President, Toshimasa Iue, has accumulated experience on the shop floor since commencing his career in the manufacturing division of a factory. He will display young and fresh leadership as COO of Sanyo. We of management should establish a system that enables our employees, who support Sanyo's technologies and their great potential, to recognize anew Sanyo's "DNA": the wish to support people. In addition, we have to enhance the transparency of decision-making in Sanyo. I am sure that, by realizing these aims, Sanyo will transform itself.

You can therefore be sure of the future growth of Sanyo.

top interview

Asking Sanyo's New President & COO, Toshimasa Iue

President and COO
Toshimasa Iue

By Staying Selective and Focused, Sanyo Will Target Growth Markets, with Environment-related Business as Our Mainstay

Toshimasa Iue, newly appointed President and COO of Sanyo on June 29, 2005, talks about the efforts toward "transformation" that the company is making this year so as to grow stronger and more aggressive.

Q. **Sanyo's financial results for the previous fiscal year were extremely unfavorable. Do you have any comments?**

First of all, I would like to offer our most sincere apologies to our stakeholders for any inconvenience and anxiety we may have caused.

Regrettably, Sanyo had to post substantial losses for the previous year. One reason for this was that the growth in digital cameras, which had been our profit driver, has leveled off. Another factor was the damage caused by the Niigata Chuetsu Earthquake.

Moreover, increasingly fierce global competition, combined with shortening of product lifetime due to digitalization, has further intensified price competition. To cope with such a challenging business environment, we need to transform the business configuration by developing the conventional independent management of each business domain, so as to enable all Sanyo Group companies to work together aggressively toward a specific goal.

This year, Sanyo has advanced structural reform so that it will transform itself into a company that aggressively pursues the next major business opportunity.

Q. **What are these drastic structural reforms like?**

The electronics industry is growing and becoming borderless. Sanyo must compete in such a competitive market, and improve its corporate value. The company suffered great financial hardship due to substantial losses posted last year. To recover from those difficulties and evolve forward, I believe that we now have no choice but to reform and reorganize our structures of management, businesses, functions and others.

To begin with, on April 1, 2005 we implemented organizational reforms to establish a system that will facilitate business and functional reforms.

Specifically, through the organizational reforms we enhanced functions across Sanyo in terms of rebuilding the Sanyo brand, material procurement, inventory controls and so on. At the same time, we clarified Sanyo's priority business domains, including the automobile- and medical-related businesses and so on.

The theme of these reforms is to completely accomplish the strategy of "being selective and focused" in our use of business resources. Needless to say, our most important task is to improve profits. However, we also understand that we should not pursue short-term gains only, but should return to the basic tenet that "we cannot gain profits without growth," in order to rejuvenate the Company and to achieve competitive superiority over other companies. Cognizant of these needs, we will carry out the above-mentioned strategy, selecting and focusing on business domains that meet the following three conditions.

The first condition is, of course, that the business has core competence (source of competitiveness); second, it has growth potential; and third, it can contribute to society.

By thoroughly implementing the strategy of remaining selective and focused using the above three conditions, we will accomplish these structural reforms, thereby becoming a company that will continue to grow.

Q. Hasn't Sanyo already been actively pushing forward with environment-related businesses in the Energy & Ecology (E&E) domain?

As mentioned above, there are three conditions under which we determine business domains to select and focus on. E&E is a domain that meets all these conditions.

The E&E domain includes businesses involving rechargeable batteries, rechargeable batteries for hybrid electric vehicles (HEVs); solar cells; and freezers, refrigerators and air-conditioners for industrial and commercial use. Sanyo has thus far established technological superiority in these products, through active investments and R&D.

Taking the rechargeable battery business as an example, today our rechargeable batteries for electric tools, notebook computers and cellular phones hold a large market share, making the business more appealing than any other businesses with core competence. However, for many years we have sought the next growth markets where our battery technologies can be applied.

Given such a situation, a new market for HEVs, which use rechargeable batteries in conjunction with gasoline engines, has been created in response to growing environmental awareness. Sanyo's battery technologies have thus found applications in this new market.

In addition, we will continue to actively expand our E&E business in various countries in Europe, where people originally have a high level of environmental awareness. As part of this effort, we established a new plant in Hungary to produce solar cell modules, as a base for business expansion into various parts of Europe. Many countries in the region have introduced systems for purchasing electricity produced by photovoltaic power generation at high prices. These environmental policies employed in Europe also serve as a spur to the growth of our environmental business.

In the future, we will certainly seize business opportunities created in response to the social demands of the times. Also, we will go all out to create and lead such new markets, by fusing and applying environmental technologies that we have developed thus far.

I believe that by actively expanding our E&E domain we can embody Sanyo's corporate slogan "We care for people and the earth," while also contributing to society.

Q. What was your impression of Sanyo's new Chairman,Tomoyo Nonaka, with whom you are partnered?

Chairman Nonaka has extensive experience and discernment, and often gives us fresh perspectives. Moreover, with her excellent communication skills and power of action, she is clearly demonstrating Sanyo's future direction when talking with employees.

Employees' trust in and expectations for the new Chairman are growing day by day. I believe that she is my best partner in accomplishing the company's transformation in a speedy manner.

Q. Lastly, please give a powerful message to stakeholders, with firm determination to complete thorough structural reforms.

This year, together with Chairman Nonaka, and in cooperation with all Sanyo employees, I will lead in pursuing structural reforms, treating no areas as 'sacred,' regardless of past history and conditions. In so doing, we will make a significant advance toward transforming the company, to ensure that Sanyo continues to live up to stakeholder expectations.

In addition, while seeking to create business opportunities by ourselves, we will continue to actively target growth markets with a particular focus on environment-related business, by combining and making use of all assets we have built up thus far.

In the future, we will place importance on communication with our stakeholders, and will report to you on a timely basis regarding the outcomes of these structural reforms. I assure you, you can expect much regarding the future development of Sanyo; in this effort, I ask your continued support and understanding.

top interview

SANYO'S HISTORY

SANYO'S HISTORY

Calendar Year	Events	Presidents
1947	SANYO Electric Works founded	Toshio Iue
	Bicycle generator lamp produced at Hojo Plant, Hyogo Prefecture	(Feb. 1947 – Jan. 1968)
1950	Sanyo Electric Co., Ltd. established	
1952	Japan's first plastic radio made, marking Company entrance to home electric appliances market	
1953	Pulsator-type washing machines introduced	
1954	Sanyo Electric stock listed on Tokyo Stock Exchange and Osaka Securities Exchange	
1959	Tokyo SANYO Electric Co., Ltd. established	
1960	Sanyo Electric Trading Co., Ltd. established (Present SANYO Sales & Marketing Corporation)	
	First manufacturing subsidiary established in Hong Kong and first sales subsidiary established in United States	
1961	R&D Center established	
1963	Tokyo SANYO Electric stock listed on Tokyo Stock Exchange and Osaka Securities Exchange	
1964	Production of CADNICA batteries commenced at Sumoto Plant, Awaji Island	
1965	Color TVs overcome cost hurdle of ¥10,000 per inch	
1966	TOTTORI SANYO Electric Co., Ltd. established	
1967	Sanyo Electric Vending Machine Co., Ltd. established, joint venture with Cornelia	
1969	SANYO ELECTRIC CREDIT CO., LTD. established	Yuro Iue
	Sanyo Retail Chain (called SBC) established, strengthening Company marketing network	(Jan. 1968 – Jan. 1971)
1975	World's first lithium (manganese dioxide lithium) batteries developed; mass production beginning in 1978	Kaoru Iue
1979	World's first amorphous silicon solar batteries developed; mass production beginning in 1982	(Jan. 1971 – Feb. 1986)
1983	OS-CON aluminium capacitors with semiconductor electrolyte production commenced	
1986	Sanyo Electric and Tokyo SANYO Electric merged	Satoshi Iue
	Eight-business segment management system introduced	(Feb. 1986 – Nov. 1992)
1990	Sales of nickel hydride batteries commenced	
1991	HIT solar battery developed	
1992	First solar power generation system developed for home-use in Japan	Yasuaki Takano
1994	Mass production of cylindrical lithium-ion batteries commenced	(Dec. 1992 – Jun. 1998)
1995	Low-temperature polysilicon TFT LCD developed	
1996	Fiscal year-end changed from November to March	
1999	In-house company management system introduced, with eight business segments reorganized into five companies	Sadao Kondo
	Business alliance with Eastman Kodak Company set up to jointly develop organic electroluminescent displays	(Jun. 1998 – Oct. 2000)
	SANYO ELECTRIC CREDIT stock listed on First Sections of Tokyo Stock Exchange and Osaka Securities Exchange	
2001	Agreement reached with Ford Motor Company for exclusive supply of battery systems for Ford hybrid electric vehicles	Yukinori Kuwano
	Nickel-metal-hydride battery business acquired from Toshiba Group	(Nov. 2000 – Jun. 2005)
	Agreement reached with Sharp Corporation to collaborate in home appliances field	
2002	Comprehensive agreement reached with Haier Group Company for wide-ranging collaboration	
	Technological partnership formed with Samsung Advanced Institute of Technology	
	Organic EL display joint venture formed with Eastman Kodak	
	Electric vending machine business sold to Fuji Electric Co., Ltd.	
2003	Business Group system and Business Unit system initiated	
	Completed Nishikinohama Plant, new photovoltaic cell production base	
2004	Partnership established with Carrier Corporation for distribution of absorption chillers; sales commenced in Europe and Americas	
	LCD business merged with Seiko Epson Corporation to form joint venture	
	Agreement reached with Mercedes-Benz, division of DaimlerChrysler AG, to jointly develop rechargeable batteries for HEVs	
	Niigata Chuetsu Earthquake struck NIIGATA SANYO ELECTRONIC CO.,LTD., causing serious impact to the semiconductor business	Toshimasa Iue
2005	Five Business Groups reorganized into eight Business Groups	(Jun. 2005 -)

Selected Financial Data

SANYO Electric Co., Ltd. and Subsidiaries As of and for the years ended March 31, 2005, 2004, 2003, 2002, and 2001

	Millions of Yen					Thousands of U.S. Dollars (Note a)
	2005	2004	2003	2002	2001	**2005**
For the year:						
Net sales	**¥2,484,639**	¥2,508,018	¥2,182,553	¥2,024,719	¥2,157,318	**$23,220,925**
Operating income (Note b)	**42,316**	95,551	78,299	53,074	106,591	**395,476**
(Loss) income before income taxes and minority interests	**(64,991)**	45,992	(74,157)	163	72,372	**(607,393)**
Net (loss) income	**(171,544)**	13,400	(61,671)	1,315	40,414	**(1,603,215)**
Capital expenditure	**104,902**	110,203	97,527	102,194	169,990	**980,392**
Depreciation and amortization	**123,540**	113,785	124,762	125,443	117,289	**1,154,580**
At the year-end:						
Total stockholders' equity	**¥ 288,268**	¥ 497,302	¥ 426,026	¥ 535,705	¥ 584,453	**$ 2,694,094**
Total assets	**2,600,677**	2,643,627	2,686,967	2,683,930	2,876,261	**24,305,393**
Per share:						
(yen and U.S. dollars) (Note c):						
Net (loss) income:						
Basic	**¥ (92.5)**	¥ 7.2	¥ (33.1)	¥ 0.7	¥ 21.6	**$ (0.86)**
Diluted	**(92.5)**	7.2	(33.1)	0.7	21.2	**(0.86)**
Cash dividends declared	**3.0**	6.0	6.0	6.0	6.0	**0.03**
Per American Depositary Share:						
(yen and U.S. dollars) (Notes c and d):						
Net (loss) income						
Basic	**¥ (462.5)**	¥ 36.0	¥ (165.5)	¥ 3.5	¥ 108.0	**$ (4.32)**
Diluted	**(462.5)**	36.0	(165.5)	3.5	106.0	**(4.32)**
Cash dividends declared	**15.0**	30.0	30.0	30.0	30.0	**0.14**
Weighted average number of shares (thousands) (Note c)	**1,854,947**	1,855,193	1,863,198	1,870,510	1,871,376	
Sales by product category (Note e):						
Consumer	**¥1,228,169**	¥1,235,965	¥1,027,804	¥ 975,150	¥ 981,844	**$11,478,215**
Commercial	**212,842**	197,978	199,697	233,225	265,777	**1,989,178**
Component	**946,433**	985,324	858,867	756,041	850,581	**8,845,168**
Others	**97,195**	88,751	96,185	60,303	59,116	**908,364**
Net sales	**¥2,484,639**	¥2,508,018	¥2,182,553	¥2,024,719	¥2,157,318	**$23,220,925**
Sales by area:						
Japan	**¥1,259,494**	¥1,266,876	¥1,123,543	¥1,095,611	¥1,100,278	**$11,770,972**
Asia	**634,778**	668,610	549,785	430,243	468,458	**5,932,505**
North America	**333,275**	335,139	294,206	302,884	365,726	**3,114,720**
Europe	**181,612**	186,469	167,783	156,075	187,542	**1,697,308**
Others	**75,480**	50,924	47,236	39,906	35,314	**705,420**
Net sales	**¥2,484,639**	¥2,508,018	¥2,182,553	¥2,024,719	¥2,157,318	**$23,220,925**
Other information:						
Price range of common stock						
(Tokyo Stock Exchange; yen and U.S. dollars):						
High	**¥ 545**	¥ 614	¥ 633	¥ 847	¥ 1,060	**$ 5.09**
Low	**330**	326	264	418	616	**3.08**
Number of employees (at the year-end)	**96,023**	82,337	79,025	80,500	86,009	

Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥107 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2005. See Note 2 of Notes to Consolidated Financial Statements.
(b) To be consistent with financial reporting principles and practices generally accepted in Japan, operating income (loss) is calculated as net sales and operating revenue less cost of sales and selling, general and administrative expenses. The Company considers showing operating income (loss) convenient for investors to compare Sanyo's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges—for example, restructuring and impairment charges and abnormal product warranty costs—are included as part of operating income (loss) in the consolidated statements of income.
(c) See Notes 1 and 19 of Notes to Consolidated Financial Statements.
(d) One American Depositary Share represents five shares of common stock.
(e) From fiscal 2005 which ended March 31, 2005, Sanyo changed the product categories contributing to net sales. The new categories are Consumer, Commercial, Component and Others. Therefore sales by product categories for the years ended March 31, 2004, 2003, 2002 and 2001 were reclassified to conform to the 2005 presentation.

Management's Discussion and Analysis of Financial Conditions and Results of Operations

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2005 and 2004

Analysis of Major Factors Affecting Performance

OVERVIEW OF FISCAL YEAR

In fiscal year 2005 ended March 31, 2005, the global economy made a strong showing, driven by the robust performance of the US economy and rapid economic growth in China. Sharp rises in the prices of petroleum and raw materials during the latter half of the fiscal year, however, generated an increasingly uncertain outlook. In Japan, corporate profits improved and private-sector demand recovered, but Sanyo nevertheless continued to face a challenging business environment due to the impact of the rising yen, sluggish growth in personal consumption attributable to income stagnation, and fierce price competition in the digital home appliances market.

To achieve further growth under these circumstances, Sanyo has actively strengthened and expanded its operations in environment-related business, expected to be a growth sector in the global market, and made strategic moves for the future.

An account of the measures taken:

The Company agreed with Mercedes-Benz a division of DaimlerChrysler AG to examine the joint development of rechargeable batteries for Hybrid Electric Vehicles (HEV), aim to extend business in the European car market.

The Company concluded a global comprehensive strategic tie-up for absorption chillers with the world's largest air conditioner maker Carrier Corporation. The Company aims for the top share globally in absorption chillers, plan to improve competitiveness and expand business even more.

In order to supply the environmentally aware European market with ‘Energy & Ecology’ products the Company has started work on a new photovoltaic module and commercial air-conditioner factory in Hungary. Moreover, in regards to photovoltaic modules, in Japan built a new factory at the Nishikinohama plant, the Company plans to keep increasing photovoltaic production capacity.

Looking at sales by product group, steady consumer demand boosted sales in mobile telephones, color televisions manufactured for the US market, and solar cells that enhance power generation efficiency, and air conditioners and refrigerators also sold well. Service businesses grounded on the concept of “total lifestyle solutions” (e.g., financing, logistics and housing) showed positive results, but sales of digital cameras declined in the face of increased competition and falling prices, year-on-year by 14.2% to ¥193.6billion (US$1,810 million).

Furthermore, Sanyo suffered substantial losses primarily in the semiconductor business due to the damage suffered by NIIGATA SANYO ELECTRONIC CO., LTD., one of Sanyo's mainstay semiconductor manufacturing bases, in the Niigata Chuetsu Earthquake that struck on October 23, 2004.

Despite expansion in the commercial and other division, sales for the fiscal year ended March 31, 2005 declined year-on-year by 0.9% to ¥2,484.6 billion (US$23,221 million) because of diminished sales in the consumer and component divisions. Operating revenue (e.g., the credit business) recorded a rise of 10.9% to ¥101.9 billion (US$953 million).

Operating income* were down 55.7% to ¥42.3 billion (US$395 million) due to falling sales prices, surging raw materials prices, and a drop-off in semiconductor sales due to the Niigata Chuetsu Earthquake; ¥42.3 billion (US$396 million) was reported as non-operating expenses for the earthquake damage to NIIGATA SANYO ELECTRONIC CO.,LTD., resulting in pre-tax losses of ¥64.9 billion (US$607 million). As a consequence of increasing valuation allowance for certain deferred tax assets due to uncertainty regarding their realizability in light of current operating conditions, the net loss for fiscal year 2005 came to ¥171.5 billion (US$1,603 million).

Free cash flow (net cash provided by operating activities plus net cash used in investing activities) showed a net ¥78.5 billion (US$734 million) outflow, a decrease of ¥73.5 billion from the previous fiscal year, attributable to the substantial year-on-year decline in net cash provided by operating activities generated by the large net loss for the fiscal year.

* To be consistent with financial reporting principles generally accepted in Japan, operating income (loss) is calculated as net sales and operating revenue less cost of sales and selling, general and administrative expenses. The Company considers showing operating income (loss) convenient for investors to compare Sanyo's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges for example, restructuring and impairment charges and abnormal product warranty costs are included as part of operating income (loss) in the consolidated statements of operations.

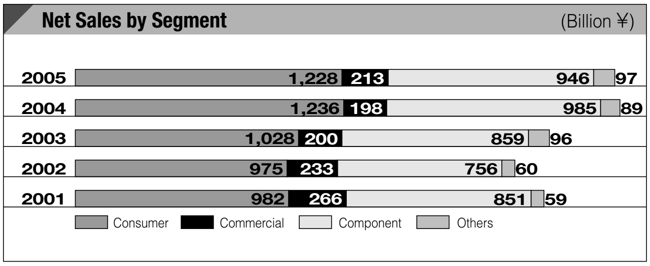
ITEMS OF SPECIAL NOTE IN THIS FISCAL YEAR

On October 1, 2004, the liquid crystal businesses of Sanyo and Seiko Epson Corporation were merged into a joint venture company, SANYO EPSON IMAGING DEVICES CORPORATION. On that same day, the liquid display businesses of Sanyo, TOTTORI SANYO Electric Co., Ltd. and SANYO LCD Engineering Co., Ltd., (consolidated subsidiaries of the Company) transferred the liquid display business to this joint venture company, with the Company acquiring a 45% share in the joint venture.

IMPACT OF EXCHANGE RATE FLUCTUATIONS

If the principal foreign currency denominated results of operations in the consolidated financial statements for the fiscal year under review were converted using the yen exchange rate applied in the previous fiscal year, net sales and operating revenue would decline ¥30.3 billion (US$284 million) and operating income would drop ¥0.6 billion (US$6 million). These calculations are based on foreign currency denominated amounts in net sales; operating revenue; cost of sales; and selling, general and administrative expenses being converted at the average exchange rate of the Tokyo foreign exchange market during the previous fiscal year.

BUSINESS RESULTS



Net Sales and Operating Revenue

In the consolidated business results for the fiscal year under review, net sales slipped 0.9% to ¥2,484.6 billion (US$23,221 million), while operating revenue climbed 10.9% to ¥101.9 billion (US$953 million). By business segment, sales of cellular telephones fitted with FM radio receivers increased, but fierce competition and falling prices led to a decline in sales revenues from digital cameras; the consumer division thus saw a 0.6% decline in net sales to ¥1,228.2 billion (US$11,478 million).

The sales of large air conditioners were up 14.8% to ¥57.0 billion (US$533 million). It contributed to push net sales in the commercial division up 7.5% to ¥212.8 billion (US$1,989 million).

Business Segments (Unaudited)

	2005						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Capital Expenditure
	External	Intersegment	Total				
Consumer	**¥1,228.2**	**¥ 20.1**	**¥1,248.3**	**¥ 28.9**	**¥ 588.3**	**¥ 33.1**	**¥ 27.6**
Commercial	**212.8**	**3.3**	**216.1**	**6.2**	**130.3**	**4.9**	**3.6**
Component	**946.4**	**38.0**	**984.4**	**18.2**	**902.2**	**76.7**	**60.5**
Others	**199.2**	**10.6**	**209.8**	**12.5**	**669.8**	**4.9**	**5.8**
Sub-total	**2,586.6**	**72.0**	**2,658.6**	**65.8**	**2,290.6**	**119.6**	**97.5**
Corporate and eliminations	**—**	**(72.0)**	**(72.0)**	**(23.5)**	**310.1**	**3.9**	**7.4**
Total	**¥2,586.6**	**¥ —**	**¥2,586.6**	**¥ 42.3**	**¥2,600.7**	**¥123.5**	**¥104.9**
	Millions of U.S. Dollars						
Consumer	**$11,478**	**$ 188**	**$11,666**	**$270**	**$ 5,498**	**$ 309**	**$258**
Commercial	**1,989**	**31**	**2,020**	**58**	**1,217**	**46**	**34**
Component	**8,845**	**355**	**9,200**	**170**	**8,432**	**717**	**565**
Others	**1,862**	**99**	**1,961**	**117**	**6,260**	**46**	**54**
Sub-total	**24,174**	**673**	**24,847**	**615**	**21,407**	**1,118**	**911**
Corporate and eliminations	**—**	**(673)**	**(673)**	**(220)**	**2,898**	**37**	**69**
Total	**$24,174**	**$ —**	**$24,174**	**$395**	**$24,305**	**$1,155**	**$980**

	2004						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Capital Expenditure
	External	Intersegment	Total				
Consumer	¥1,231.4	¥ 11.5	¥1,242.9	¥ 39.3	¥ 595.2	¥ 29.1	¥ 28.9
Commercial	198.0	1.2	199.2	3.8	131.7	3.9	2.6
Component	989.8	34.6	1,024.4	57.8	972.3	74.0	71.6
Others	180.7	15.1	195.8	17.2	622.9	2.6	2.9
Sub-total	2,599.9	62.4	2,662.3	118.1	2,322.1	109.6	106.0
Corporate and eliminations	—	(62.4)	(62.4)	(22.5)	321.5	4.2	4.2
Total	¥2,599.9	¥ —	¥2,599.9	¥ 95.6	¥2,643.6	¥113.8	¥110.2

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥107 = US$1, the approximate Tokyo foreign exchange market rate as of March 31,2005
From this year, we made changes to the way we report segments to reflect our business groups and to offer more effective explanation about segment information. The amount for the fiscal year ended March 31, 2004 have been reclassified on the new basis.

Geographic Segments (Unaudited)

	2005				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	¥1,672.8	¥ 636.7	¥2,309.5	¥ 41.3	¥1,790.4
Asia	446.5	534.2	980.7	17.1	418.1
North America	320.2	3.3	323.5	5.6	133.0
Others	147.1	0.4	147.5	1.1	71.1
Sub-total	2,586.6	1,174.6	3,761.2	65.1	2,412.6
Corporate and eliminations	—	(1,174.6)	(1,174.6)	(22.8)	188.1
Total	¥2,586.6	¥ —	¥2,586.6	¥ 42.3	¥2,600.7
	Millions of U.S. Dollars				
Japan	$15,634	$5,950	$21,584	$ 386	$16,733
Asia	4,173	4,993	9,166	160	3,907
North America	2,992	31	3,023	52	1,243
Others	1,375	4	1,379	10	664
Sub-total	24,174	10,978	35,152	608	22,547
Corporate and eliminations	—	(10,978)	(10,978)	(213)	1,758
Total	$24,174	$ —	$24,174	$ 395	$24,305

	2004				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	¥1,789.3	¥ 591.4	¥2,380.7	¥ 98.9	¥1,941.1
Asia	369.7	341.8	711.5	14.8	262.6
North America	305.0	1.2	306.2	5.1	130.6
Others	135.9	0.4	136.3	0.2	43.6
Sub-total	2,599.9	934.8	3,534.7	119.0	2,377.9
Corporate and eliminations	—	(934.8)	(934.8)	(23.4)	265.7
Total	¥2,599.9	¥ —	¥2,599.9	¥ 95.6	¥2,643.6

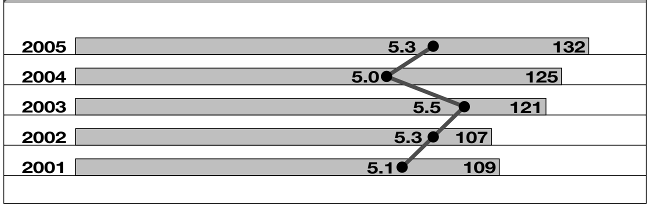
Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥107 = US$1, the approximate Tokyo foreign exchange market rate as of March 31,2005

Net sales for the component division slid 3.9% to ¥946.4 billion (US$8,845 million) despite steady sales of nickel-cadmium and lithium ion batteries, considerable growth in demand for solar batteries, and higher net sales for batteries overall, due to the significant losses in semiconductor sales revenues suffered by NIIGATA SANYO ELECTRONIC CO., LTD, one of Sanyo's mainstay semiconductor manufacturing bases, in the Niigata Chuetsu Earthquake.

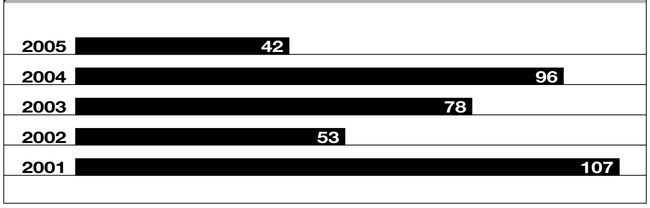
Solid performance in the housing businesses lifted “other sales” to ¥97.1 billion (US$908 million), up 9.5% from the preceding year.

Domestic net sales eased downward by 0.6% to ¥1,259.5 billion (US$11,771 million). Overseas net sales totaled ¥1,225.1 billion (US$11,450 million), down 1.3% because of lower sales to North America, Europe, and Asia. Accordingly, overseas sales as a percentage of consolidated net sales weakened 0.2 points to 49.3%.

R&D Expenses and R&D Expenses to Net Sales (Billion ¥,%)



Operating Income (Billion ¥)



Costs, Expenses and Operating Income

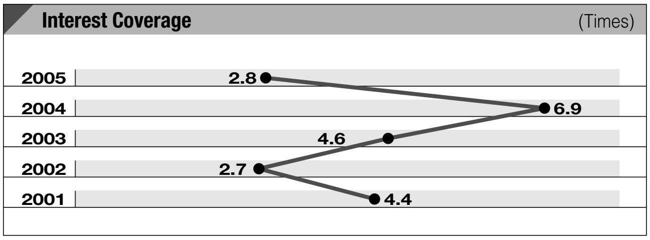
Our cost of sales amounted to ¥2,125.6 billion (US$19,866 million), an increase of ¥10.3 billion from the previous fiscal year. Declining sales prices and surging raw material prices pushed the cost of sales ratio up 1.2 points to 85.6%.

Despite cuts in personnel expenses by 3.2% to ¥156.4 billion (US$1,462 million), selling, general and administrative (SG&A) expenses climbed ¥29.5 billion year-on-year to ¥418.6 billion (US$3,912 million) due to higher shipping and handling cost with an increase of ¥7.0billion to ¥52.2 billion (US$487 million) and other general expenses. As a result, the ratio of SG&A expenses to net sales worsened 1.3 points to 16.8%.

The aforementioned factors resulted in a ¥53.2 billion decline in operating income to ¥42.3 billion (US$395 million) and a drop of 2.1 points to 1.7% in the ratio of operating income to net sales.

Other Income (Expenses) and Net Income

Other expenses (net)(Interest and dividends plus other income minus interest expenses, loss on earthquake and other expense) for the fiscal year under review dropped by ¥57.7 billion to ¥107.3 billion (US$1,003 million). This can be attributed to the write-off of a total of ¥42.3 billion (US$396 million) in earthquake losses suffered by NIIGATA SANYO ELECTRONIC CO.,LTD.: losses from the disposition of fixed assets, losses from the disposition of inventory, and repair and other restoration expenses.



Consequently, net loss before taxes and minority interests for the fiscal year under review was ¥64.9 billion (US$607 million), down from the previous year's income of ¥45.9 billion. Income taxes came to ¥106.7 billion (US$997 million) (¥28.5 billion in the previous year) including a valuation allowance against deferred tax assets due to uncertainty regarding their realizability in light of current operating conditions.

Loss before minority interests amounted to ¥171.6 billion (US$1,605 million) (¥17.4 billion income in the previous fiscal year). After deducting minority interests, Sanyo recorded net loss of ¥171.5 billion (US$1,603 million) (¥13.4 billion income in the preceding year).

Basic net loss per share for the fiscal year under review recorded ¥92.5 (US$0.86), in contrast to the ¥7.2 income per share for the previous fiscal year.

Information on Capital Resources and Cash Flow

FINANCIAL STRATEGIES

Sanyo procures working capital and funds for capital investment through borrowings and corporate bonds. Working capital is financed through short-term borrowings (including current portion of long-term funds) with maturities of one year or less, while long-term funds for production facilities and equipment are procured through long-term loans and corporate straight and convertible bond issues. As of March 31, 2005, short-term borrowings (including long-term liabilities due for repayment within a year) were up by ¥0.1 billion to ¥547.6 billion (US$5,118 million); corporate bond issues and long-term debt rose year-on-year by ¥117.6 billion to ¥679.7 billion (US$6,353 million).

FINANCIAL POSITION

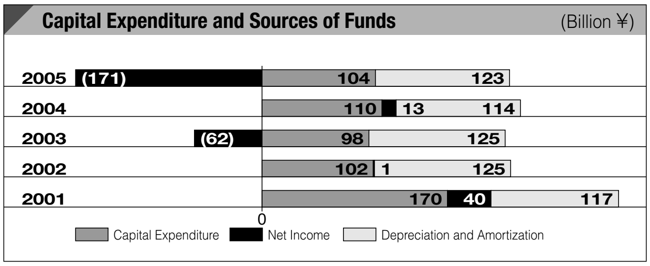
Assets

The consolidated business results described above left Sanyo with total assets of ¥2,600.7 billion (US$24,305 million) at the end of the fiscal year under review, a ¥42.9 billion decline from a year earlier.

Total current assets increased ¥18.6 billion to ¥1,493.3 billion (US$13,957 million) because of a ¥22.1 billion rise in cash and a ¥49.7 billion increase in inventory.

Investments and advances expanded ¥9.7 billion to ¥250.9 billion (US$2,346 million) due primarily to investments made in SANYO EPSON IMAGING DEVICES CORPORATION, an equity method affiliate.

Net property, plant and equipment decreased in value during fiscal year 2005 by ¥12.6 billion to ¥611.2 billion (US$5,712 million) due to restrained capital investment.



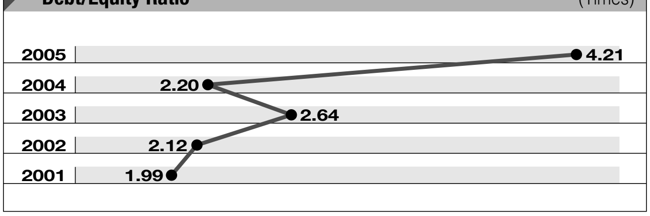
Deferred income taxes – noncurrent – decreased year-on-year by ¥69.3 billion to ¥32.5 billion (US$304 million). This decrease is a result of a valuation allowance recorded in the current year after assessing the realizability of deferred tax assets in light of current operating conditions.

Other assets rose ¥10.6 billion to ¥212.5 billion (US$1,987 million) mainly because of an increase in other long-term assets.

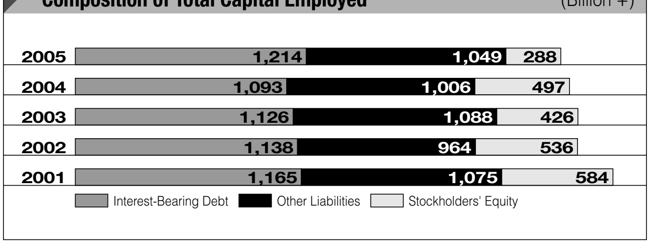
Liabilities and Stockholders' Equity

Total liabilities as of March 31, 2005 were ¥2,262.4 billion (US$21,144 million), ¥163.9 billion higher than a year earlier. This increase resulted from taking out a ¥100.0 billion syndicate loan and issuing a total of ¥60.0 billion in uncollateralized straight corporate bonds during the fiscal year. These funds were allocated for repayment of ¥49.8 billion in domestic uncollateralized convertible bonds reaching maturity in November 2004 and for plant investment. Interest-bearing debt thus reached ¥1,213.8 billion (US$11,345 million), up ¥120.6 billion.

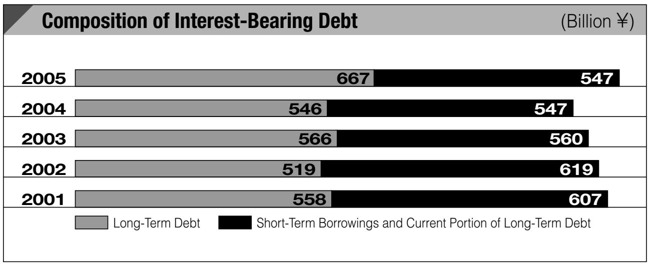
Total stockholders' equity dropped ¥209.0 billion to ¥288.2 billion (US$2,694 million), and the stockholders' equity ratio dipped 7.7 points to 11.1%. The main factor underlying this decline was the substantial ¥171.5 billion(US$1,603 million) contraction in net income for the fiscal year.



Debt/Equity Ratio



Composition of Total Capital Employed

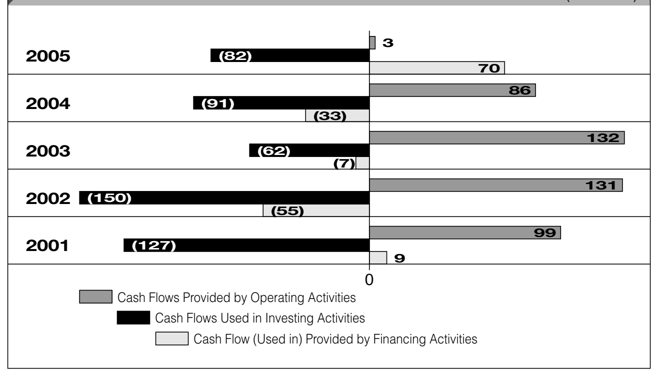


Composition of Interest-Bearing Debt

CASH FLOWS

Cash and cash equivalents at the end of the fiscal year amounted to ¥294.9 billion (US$2,757 million), up ¥17.5 billion from the previous fiscal year-end. This increase was due primarily to the syndicate loan and to a ¥103.8 billion increase in cash flow from financing activities.

Net cash provided by operating activities came to ¥3.6 billion (US$35 million), down ¥82.6 billion from the previous fiscal year principally because of the substantial drop in net income for the fiscal year.



Cash Flows

Net cash used in investment activities fell by ¥9.1 billion to ¥82.2 billion (US$769 million), this attributable mainly to the transfer of the liquid crystal business to SANYO EPSON IMAGING DEVICES CORPORATION established on October 1, 2004.

As a result of the above, free cash flow (net cash provided by operating activities plus net cash used in investing activities) deteriorated by ¥73.5 billion, resulting in a net ¥78.5 billion (US$734 million) outflow for the fiscal year.

Net cash provided by financing activities increased ¥103.8 billion to ¥70.5 billion (US$660 million) due to the syndicate loan.

ACQUISITION OF TREASURY STOCK

During the fiscal year, the Company acquired 384,247 shares to cover odd lot purchases of less than one trading unit (1,000 shares), and the total treasury stock held at the end of the fiscal year was 17,607,612 shares.

Consolidated Statements of Operations

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2005, 2004 and 2003

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2005	2004	2003	**2005**
Revenues:				
Net sales (Note 5)	**¥2,484,639**	¥2,508,018	¥2,182,553	**$23,220,925**
Operating revenue	**101,947**	91,921	91,322	**952,776**
Interest and dividends	**5,642**	6,439	6,954	**52,729**
Other income (Note 21)	**27,123**	27,553	29,738	**253,486**
Total revenues	**2,619,351**	2,633,931	2,310,567	**24,479,916**
Costs and expenses:				
Cost of sales (Note 5)	**2,125,637**	2,115,262	1,817,125	**19,865,767**
Selling, general and administrative (Note 18)	**418,633**	389,126	378,451	**3,912,458**
Interest	**17,118**	14,868	18,463	**159,981**
Loss on earthquake (Note 21)	**42,373**	—	—	**396,009**
Other expense (Note 21)	**80,581**	68,683	170,685	**753,094**
Total costs and expenses	**2,684,342**	2,587,939	2,384,724	**25,087,309**
(Loss) income before income taxes and minority interests	**(64,991)**	45,992	(74,157)	**(607,393)**
Provision (benefit) for income tax (Note 17):				
Current	**23,634**	19,441	23,877	**220,879**
Deferred	**83,071**	9,093	(38,045)	**776,364**
(Loss) income before minority interests	**(171,696)**	17,458	(59,989)	**(1,604,636)**
Minority interests	**(152)**	4,058	1,682	**(1,421)**
Net (loss) income	**¥ (171,544)**	¥ 13,400	¥ (61,671)	**$(1,603,215)**

	Yen			U.S. Dollars (Note 2)
Per share				
Basic net (loss) income (Note 19)	**¥ (92.5)**	¥ 7.2	¥ (33.1)	**$(0.864)**
Diluted net (loss) income (Note 19)	**(92.5)**	7.2	(33.1)	**(0.864)**
Cash dividends declare	**3.0**	6.0	6.0	**0.028**
Per American Depositary Share				
Basic net (loss) income	**¥(462.5)**	¥36.0	¥(165.5)	**$(4.322)**
Diluted net (loss) income	**(462.5)**	36.0	(165.5)	**(4.322)**
Cash dividends declare	**15.0**	30.0	30.0	**0.140**
Weighted average number of shares (thousands)	**1,854,947**	1,855,193	1,863,198	

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2005 and 2004

Assets	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars (Note 2) 2005
Current assets:			
Cash and cash equivalents:			
Cash	**¥ 124,053**	¥ 101,861	**$ 1,159,374**
Time deposits	**170,929**	175,601	**1,597,467**
Short-term investments (Notes 6 and 14)	**9,542**	16,180	**89,178**
Receivables:			
Notes and accounts receivable (Note 3)	**448,281**	436,105	**4,189,542**
Finance receivables (Note 8)	**261,639**	257,286	**2,445,224**
Affiliates and unconsolidated subsidiaries	**29,406**	66,566	**274,822**
Allowance for doubtful accounts	**(30,046)**	(23,734)	**(280,804)**
Inventories (Note 4)	**383,976**	334,214	**3,588,561**
Deferred income taxes (Note 17)	**17,911**	49,329	**167,393**
Prepaid expenses and other	**77,675**	61,331	**725,935**
Total current assets	**1,493,366**	1,474,739	**13,956,692**
Investments and advances:			
Affiliates and unconsolidated subsidiaries (Note 5)	**56,066**	40,258	**523,981**
Other (Notes 6 and 14)	**194,925**	200,976	**1,821,729**
	250,991	241,234	**2,345,710**
Property, plant and equipment (Notes 8 and 10):			
Buildings	**457,225**	464,175	**4,273,131**
Machinery and equipment	**944,543**	1,006,905	**8,827,505**
	1,401,768	1,471,080	**13,100,636**
Accumulated depreciation	**(941,762)**	(1,003,934)	**(8,801,514)**
	460,006	467,146	**4,299,122**
Land	**130,906**	145,386	**1,223,421**
Construction in progress	**20,319**	11,359	**189,897**
	611,231	623,891	**5,712,440**
Deferred income taxes (Note 17)	**32,512**	101,882	**303,850**
Other assets (Note 7,8 and 9)	**212,577**	201,881	**1,986,701**
	¥2,600,677	¥2,643,627	**$24,305,393**

The accompanying notes are an integral part of these statements.

Liabilities And Stockholders' Equity	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars (Note 2) 2005
Current liabilities:			
Short-term borrowings (Note 10)	**¥ 408,531**	¥ 386,570	**$ 3,818,047**
Current portion of long-term debt (Note 8 and 10)	**139,101**	160,884	**1,300,009**
Notes and accounts payable:			
Trade	**453,554**	462,803	**4,238,822**
Affiliates and unconsolidated subsidiaries	**50,235**	14,461	**469,486**
Construction	**33,108**	26,992	**309,421**
Accrued income taxes	**11,301**	11,305	**105,617**
Employees' savings deposits	**21,888**	23,088	**204,561**
Other, including dividends payable and accrued expenses	**248,810**	237,286	**2,325,327**
Total current liabilities	**1,366,528**	1,323,389	**12,771,290**
Long-term debt (Notes 8, 10 and 14)	**679,728**	562,057	**6,352,598**
Accrued pension and severance costs (Note 11)	**216,190**	213,044	**2,020,467**
Total liabilities	**2,262,446**	2,098,490	**21,144,355**
Minority interests in consolidated subsidiaries	**49,963**	47,835	**466,944**
Commitments and contingent liabilities (Note 13)			
Stockholders' equity (Note 16):			
Common stock:			
Authorized:			
March 31, 2005 and 2004—4,921,196 thousand shares			
Issued:			
March 31, 2005 and 2004—1,872,338 thousand shares	**172,242**	172,242	**1,609,739**
Additional paid-in capital	**336,035**	336,036	**3,140,514**
Accumulated (deficit) retained earnings	**(84,342)**	92,766	**(788,243)**
Accumulated other comprehensive loss	**(128,310)**	(96,527)	**(1,199,159)**
Less, treasury stock at cost:			
2005—17,607,612 shares	**(7,357)**	—	**(68,757)**
2004—17,223,365 shares	**—**	(7,215)	**—**
Total stockholders' equity	**288,268**	497,302	**2,694,094**
	¥2,600,677	¥2,643,627	**$24,305,393**

Consolidated Statements of Stockholders' Equity

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2005, 2004 and 2003

	Millions of Yen								
				Accumulated Other Comprehensive Income (Loss)					
(Number of Shares of Common Stock—Thousands)	Common Stock	Additional Paid-in Capital	Accumulated (deficit) retained earnings	Net Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments	Net Unrealized Gains (Losses) on Derivatives	Total	Total Comprehensive Income (Loss)
Balance, March 31, 2002 (1,872,335)	¥172,241	¥336,028	¥163,340	¥ (27,954)	¥ (35,309)	¥ (68,689)	¥ (1,671)	¥(133,623)	
Comprehensive income (loss):									
Net loss			(61,671)						¥ (61,671)
Other comprehensive income (loss):									
Net unrealized losses on securities (net of tax of ¥19,922 million) (Note 6)				(25,864)				(25,864)	(25,864)
Reclassification adjustments for net losses realized in net loss (net of tax of ¥31,432 million)				42,682				42,682	42,682
Foreign currency translation adjustments					(10,832)			(10,832)	(10,832)
Minimum pension liability adjustments (net of tax of ¥24,550 million) (Note 11)						(37,716)		(37,716)	(37,716)
Net unrealized losses on derivatives (net of tax of ¥864 million) (Note 15)							(839)	(839)	(839)
Reclassification adjustments for net losses realized in net loss (net of tax of ¥729 million)							566	566	566
Total									¥ (93,674)
Cash dividends			(11,171)						
Conversion of convertible bonds (3)	1	1							
Balance, March 31, 2003 (1,872,338)	172,242	336,029	90,498	(11,136)	(46,141)	(106,405)	(1,944)	(165,626)	
Comprehensive income (loss):									
Net income			13,400						¥ 13,400
Other comprehensive income (loss):									
Net unrealized gains on securities (net of tax of ¥24,448 million) (Note 6)				35,314				35,314	35,314
Reclassification adjustments for net gains realized in net income (net of tax of ¥4,381 million)				(6,912)				(6,912)	(6,912)
Foreign currency translation adjustments					(12,856)			(12,856)	(12,856)
Minimum pension liability adjustments (net of tax of ¥36,455 million) (Note 11)						52,847		52,847	52,847
Net unrealized gains on derivatives (net of tax of ¥210 million) (Note 15)							180	180	180
Reclassification adjustments for net losses realized in net income (net of tax of ¥684 million)							526	526	526
Total									¥ 82,499
Cash dividends			(11,132)						
Gains on disposal of treasury stock		7							
Balance, March 31, 2004 (1,872,338)	**172,242**	**336,036**	**92,766**	**17,266**	**(58,997)**	**(53,558)**	**(1,238)**	**(96,527)**	
Comprehensive income (loss):									
Net loss			**(171,544)**						**¥(171,544)**
Other comprehensive income (loss):									
Net unrealized gains on securities (net of tax of ¥8,415 million) (Note 6)				**8,053**				**8,053**	**8,053**
Reclassification adjustments for net gains realized in net loss (net of tax of ¥4,472 million)				**(6,657)**				**(6,657)**	**(6,657)**
Foreign currency translation adjustments					**786**			**786**	**786**
Minimum pension liability adjustments (net of tax of ¥31,345 million) (Note 11)						**(34,115)**		**(34,115)**	**(34,115)**
Net unrealized losses on derivatives (net of tax of ¥477 million) (Note 15)							**(367)**	**(367)**	**(367)**
Reclassification adjustments for net losses realized in net loss (net of tax of ¥672 million)							**517**	**517**	**517**
Total									**¥(203,327)**
Cash dividends			**(5,564)**						
Loss on disposal of treasury stock		**(1)**							
Balance, March 31, 2005 (1,872,338)	**¥172,242**	**¥336,035**	**¥(84,342)**	**¥18,662**	**¥(58,211)**	**¥(87,673)**	**¥(1,088)**	**¥(128,310)**	
	Thousands of U.S. Dollars (Note 2)								
Balance, March 31, 2004 (1,872,338)	**$1,609,739**	**$3,140,523**	**$866,972**	**$161,364**	**$(551,374)**	**$(500,542)**	**$(11,570)**	**$(902,122)**	
Comprehensive income (loss):									
Net loss			**(1,603,215)**						**$(1,603,215)**
Other comprehensive income (loss):									
Net unrealized gains on securities (net of tax of $79 million) (Note 6)				**75,262**				**75,262**	**75,262**
Reclassification adjustments for net gains realized in net loss (net of tax of $42 million)				**(62,215)**				**(62,215)**	**(62,215)**
Foreign currency translation adjustments					**7,346**			**7,346**	**7,346**
Minimum pension liability adjustments (net of tax of $293 million) (Note 11)						**(318,832)**		**(318,832)**	**(318,832)**
Net unrealized losses on derivatives (net of tax of $4 million) (Note 15)							**(3,430)**	**(3,430)**	**(3,430)**
Reclassification adjustments for net losses realized in net loss (net of tax of $6 million)							**4,832**	**4,832**	**4,832**
Total									**$(1,900,252)**
Cash dividends			**(52,000)**						
Loss on disposal of treasury stock		**(9)**							
Balance, March 31, 2005 (1,872,338)	**$1,609,739**	**$3,140,514**	**$ (788,243)**	**$ 174,411**	**$ (544,028)**	**$ (819,374)**	**$ (10,168)**	**$(1,199,159)**	

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2005, 2004 and 2003

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2005	2004	2003	**2005**
Cash flows from operating activities:				
Net (loss) income	**¥ (171,544)**	¥ 13,400	¥ (61,671)	**$(1,603,215)**
Adjustments to reconcile net (loss) income to net cash provided by operating activities				
Depreciation and amortization	**123,540**	113,785	124,762	**1,154,580**
Gain on sale of marketable securities and investment securities	**(10,474)**	(12,117)	(6,038)	**(97,888)**
Impairment loss on investment securities	**3,676**	2,643	78,197	**34,355**
Impairment and disposal of investments and bad debts	**7,257**	1,588	22,306	**67,822**
Loss on disposal of fixed assets	**14,459**	9,397	5,638	**135,131**
Provision for income taxes – deferred	**83,071**	9,093	(38,045)	**776,365**
Equity in earnings of affiliates and unconsolidated subsidiaries	**(2,661)**	(2,651)	(3,150)	**(24,869)**
Change in assets and liabilities, net of effect of newly consolidated subsidiaries in 2005,2004 and 2003				
Decrease (increase) in receivables	**100,359**	(56,613)	(60,493)	**937,935**
(Increase) decrease in inventories	**(24,872)**	(1,987)	54,642	**(232,449)**
(Increase) decrease in prepaid expenses and other	**(18,412)**	(7,034)	18,672	**(172,075)**
Increase in other assets	**(10,205)**	(23,602)	(33,142)	**(95,374)**
(Decrease) increase in notes and accounts payable	**(67,385)**	15,062	61,724	**(629,766)**
Decrease in accrued income taxes	**(618)**	(3,907)	(1,094)	**(5,776)**
Increase (decrease) in other current liabilities	**1,154**	25,183	(5,578)	**10,785**
Other, net	**(23,650)**	4,131	(24,974)	**(221,028)**
Total adjustments	**175,239**	72,971	193,427	**1,637,748**
Net cash provided by operating activities	**3,695**	86,371	131,756	**34,533**
Cash flow from investing activities:				
Decrease in short-term investments	**3,446**	12,070	36,386	**32,206**
Proceeds from sales of investments and collection of advances	**36,424**	47,246	30,201	**340,411**
Proceeds from sale of property, plant and equipment	**39,711**	15,754	28,012	**371,131**
Payments for purchase of investments and advances	**(53,080)**	(36,181)	(46,606)	**(496,075)**
Payments for purchase of property, plant and equipment	**(96,633)**	(110,329)	(90,783)	**(903,112)**
(Payments for) proceeds from acquisition of consolidated subsidiaries	**(2,276)**	(343)	8,058	**(21,271)**
Proceeds from (payments for) sale of consolidated subsidiaries	**111**	(1,135)	4,813	**1,037**
Proceeds on business transfer (Note 21)	**19,153**	—	—	**179,000**
Other, net	**(29,090)**	(18,438)	(31,712)	**(271,869)**
Net cash used in investing activities	**(82,234)**	(91,356)	(61,631)	**(768,542)**
Cash flow from financing activities:				
Decrease in short-term borrowings	**(20,737)**	(20,998)	(33,638)	**(193,804)**
Proceeds from issuance of long-term debt	**278,884**	152,082	215,635	**2,606,393**
Repayments of long-term debt	**(174,788)**	(152,544)	(172,208)	**(1,633,533)**
Dividends paid	**(12,632)**	(11,650)	(11,733)	**(118,056)**
Repurchases of common stock	**(147)**	(195)	(5,245)	**(1,374)**
Net cash provided (used) in financing activities	**70,580**	(33,305)	(7,189)	**659,626**
Effect of exchange rate changes on cash and cash equivalents	**1,145**	(7,185)	(5,221)	**10,701**
Net (decrease) increase in cash and cash equivalents	**(6,814)**	(45,475)	57,715	**(63,682)**
Cash and cash equivalents of newly consolidated subsidiaries	**24,334**	3,184	2,356	**227,420**
Cash and cash equivalents at beginning of year	**277,462**	319,753	259,682	**2,593,103**
Cash and cash equivalents at end of year	**¥294,982**	¥277,462	¥319,753	**$2,756,841**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

SANYO Electric Co., Ltd. and Subsidiaries

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Sanyo is engaged in development, manufacture and sales in various locations around the world. Sanyo operates in four business segments:"Consumer," "Commercial," "Component," and "Others." Fiscal 2005 net sales comprised Consumer (49%), Commercial(9%), Component (38%), and Others (4%). The principal markets are in Japan, Asia,North America, Europe and Others, with sales in each area representing 51%, 26%,13%, 7% and 3%, respectively, of net sales for the year ended March 31, 2005. Sanyo has manufacturing facilities located in more than 20 countries, principally in Asian areas, such as Japan and China, as well as in North America and Europe.

Accounting Principles

The accounting records of domestic companies are maintained in accordance with accounting practices prevailing in Japan. The accompanying consolidated financial statements reflect the adjustments necessary for a presentation in accordance with generally accepted accounting principles as defined in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all significant subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Investments in 20%-to-50%-held companies and certain unconsolidated subsidiaries that are not material are, carried at cost plus the equity in undistributed earnings, after elimination of unrealized intercompany profits.

For the year ended March 31, 2005, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No.46 "Consolidation of Variable Interest Entities"(revised December 2003, hereinafter referred to as "FIN46R"), accordingly and consolidated variable interest entities in which the Company has controlling financial interests through means other than voting rights. The adoption of FIN46R resulted in increases of ¥4,844 million (US$45,271 thousand) and ¥6,516 million (US$60,897 thousand) on total assets and total liabilities, respectively, at March 31,2005. The effects on net loss and other comprehensive loss were not material. See Note 20 for further information.

Cash Equivalents

All highly liquid investments, including time deposits, purchased with original maturities of three months or less, are considered to be cash equivalents.

Short-Term Investments and Investments and Advances

Available-for-sale securities are carried at fair market value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income. Available-for-sale securities are reduced to net realizable value by a charge to earnings for other than temporary declines in fair value. For the purpose of computing gains and losses on securities sold, the cost of these securities is determined by the moving average method. Held-to-maturity securities are recorded at amortized cost. Securities that do not have readily determinable fair values are recorded at cost.

Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated at the exchange rates in effect at the respective balance sheet date, and related transaction gains or losses are included in the determination of net (loss) income.

Assets and liabilities of foreign consolidated subsidiaries and affiliates and unconsolidated subsidiaries accounted for on an equity basis are translated into yen at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the average rate of exchange for the period. Translation adjustments result from the process of translating foreign currency financial statements into yen and are reported in other comprehensive income.

Inventories

Inventories are stated at the lower of cost or market value. The cost of finished products and work in process is primarily determined by the average cost method. The first-in, first-out method is primarily used for other inventories.

Impairment of Long-Lived Assets

Sanyo's long-lived assets other than goodwill, including property, plant and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If it is determined an impairment loss has occurred, a loss calculated as the difference between the carrying value and present value of estimated future net cash flows is recognized in the period.

Goodwill and Other Intangible Assets

Goodwill acquired in a purchase business combination and intangible assets with indefinite lives are not amortized but rather tested for impairment annually, or whenever the events or changes in circumstances indicate the possibility of impairment. The fair value of these assets is generally estimated using a discounted cash flows analysis. Definite-lived intangible assets are amortized on a straight line basis over their estimated useful lives, which are mainly 5 years.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant renewals and additions, are carried at cost. When retired or otherwise disposed of, the cost and related accumulated depreciation are cleared from the respective accounts, and the net difference, less any amounts realized on disposal, is reflected in earnings. Depreciation is principally computed by the declining balance method. The principal estimated useful lives used for computing depreciation are as follows:

Buildings	5 to 50 years
Machinery and equipment	2 to 20 years

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Advertising Costs

Advertising costs are expensed as incurred.

Research and Development Costs

Research and development costs are expensed as incurred.

Income Taxes

Deferred income taxes reflect the expected future tax consequences of differences between the tax bases of assets and liabilities and the financial reporting amounts at the fiscal year-end. Deferred income tax assets and liabilities are measured by using currently enacted tax rates, and the effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that the change is enacted.

Sanyo recognizes a valuation allowance for deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Provision for Product Warranty Costs

Provision for product warranty costs is established at the time the revenue is recognized, based on historical actual amounts.

Derivatives

Sanyo utilizes derivatives to manage the risk of changes in foreign currency exchange rates and interest rates. The derivatives Sanyo utilizes are mainly foreign currency exchange contracts, interest rate swaps and currency swaps. Sanyo applies Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138. Sanyo recognizes all derivatives as either assets or liabilities in the balance sheet and measures these instruments at fair value. The change in the fair value of a derivative that does not qualify for hedge accounting is recognized in earnings in the period of the change. If the derivatives are designated and qualified as cash flow hedges, they are first recorded in other comprehensive income or loss, and then the realization of earnings or losses is deferred until it is impacted by the hedged items. Sanyo formally documents about hedging risk management objectives and strategies and relationships between the hedging instruments and the hedged items. Sanyo also assesses whether the derivatives that are used in hedging offset the cash flows of the hedged items or not at the commencement of a hedging transaction and on an ongoing basis.

Stock-Based Compensation

The Company accounts for employee stock options in accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees" and follows the disclosure-only provision of SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB Statement No. 123." Stock-based compensation cost is recognized as the excess of the quoted market price of common stock at the date of the award over the stated exercise price.

There is no compensation cost recognized as the option prices at the dates of grants were higher than the fair value of common stock. Had compensation expense been determined as prescribed by SFAS No. 123, Sanyo's pro forma net income and earning per share for the years ended March 31, 2005, 2004 and 2003 would have been as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2004	2003	**2005**
Net (loss) income as reported	**¥(171,544)**	¥13,400	¥(61,671)	**$(1,603,215)**
Deduct:Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(315)**	(291)	(259)	**(2,944)**
Pro forma net (loss) income :	**¥(171,859)**	¥13,109	¥(61,930)	**$(1,606,159)**

	Millions of Yen			Thousands of U.S. Dollars
	2005	2004	2003	**2005**
Basic income per share:				
Net income (loss):				
As reported	**¥(92.5)**	¥7.2	¥(33.1)	**$(0.864)**
Pro forma	**(92.6)**	7.1	(33.2)	**(0.865)**
Diluted income per share:				
Net income (loss):				
As reported	**(92.5)**	7.2	(33.1)	**(0.864)**
Pro forma	**¥(92.6)**	¥7.1	¥(33.2)	**$(0.865)**

Fair Value per Share Information

The Company:

The weighted average fair values per share at the date of grant for options during the years ended March 31, 2005, 2004 and 2003 were ¥115 (US$1.07), ¥119 and ¥119, respectively.

The fair value is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2005	2004	2003
Risk-free interest rate	**0.76%**	0.29%	0.29%
Expected life	**4 years**	4 years	4 years
Expected volatility	**40.10%**	40.70%	43.00%
Expected dividend	**0.00%**	1.33%	1.27%

SANYO Electric Credit Co., Ltd

The weighted average fair value per share at the date of grant for options during the year ended March 31, 2003 was ¥781.

The fair value is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2003
Risk-free interest rate	0.42%
Expected life	5 years
Expected volatility	37.50%
Expected dividend	1.11%

Dividends and Net Income per Share and per American Depositary Share

Cash dividends declared subsequent to the balance sheet date and designated as applicable to earnings of the period are accrued and charged to retained earnings as of the balance sheet date. Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding during each period. The calculation of diluted income per share takes into account the dilutive effect of convertible bonds. Dividends and net income per American Depositary Share are computed on the basis of each American Depositary Share representing five shares of common stock. The calculation of basic and diluted income per share is presented in Note 19.

Revenue Recognition

Sanyo recognizes sales when delivery has occurred or services have been rendered, the sales price is fixed or determinable, persuasive evidence of an arrangement exists, and the collectibility of the resulting receivable is reasonably assured.

Revenue for direct finance leases is recognized over the lease term. Unrealized lease revenue is amortized by the interest method.

In accordance with Emerging Issues Task Force ("EITF") Issue No.01-09, "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products", the Company accounts for sales incentives as a reduction of revenue.

New Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs - an amendment of Accounting Reserch Bulletin ("ARB") No. 43, Chapter 4" ("SFAS 151"). SFAS 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Among other provisions, the new rule requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling costs be recognized as current period charges regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. Additionally, SFAS 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005. The adoption of SFAS 151 is not expected to have a material impact on Sanyo's consolidated results of operations and financial position.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - an amendment of APB Opinion No. 29" ("SFAS 153"). SFAS 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for the fiscal periods beginning after June 15, 2005. The adoption of SFAS 153 is not expected to have a material impact on Sanyo's consolidated results of operations and financial position.

In June 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." ("SFAS 154") This Statement applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle.

SFAS 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. Opinion No. 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 requires that a change in method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate that is affected by a change in accounting principle. Opinion No. 20 previously required that such a change be reported as a change in accounting principle.

SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, with early adoption for accounting changes and corrections of errors made occurring in fiscal years beginning after June 1, 2005 is permitted.

The adoption of SFAS 154 is not expected to have a material impact on Sanyo's consolidated results of operations and financial position.

2 UNITED STATES DOLLAR AMOUNTS

The dollar amounts included in the consolidated financial statements and notes thereto for the year ended March 31, 2005 represent the arithmetical results of translating yen to dollars on the basis of ¥107 = US$1, the approximate effective rate of exchange at March 31, 2005.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities have been or could be readily converted, realized or settled in dollars at ¥107 = US$1 or at any other rate.

3 SECURITIZATION

For the years ended March 31, 2005, 2004 and 2003, the Company sold trade receivables mainly to a trust bank which securitized these receivables. In these securitizations, the Company retained servicing responsibility. No servicing asset or liability has been recorded because the fees for servicing the receivables approximate the related costs.
In addition, the Company retained subordinated interests which were not material.
During the years ended March 31, 2005, 2004 and 2003, proceeds from the transfer of trade receivables were ¥55,935million (US$522,757thousand), ¥49,436million and ¥43,193million, respectively, and losses recognized on those transfers were ¥19million (US$178thousand), ¥19million and ¥19million, respectively.

4 INVENTORIES

Inventories at March 31, 2005 and 2004 comprise the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Finished products	**¥205,829**	¥168,890	**$1,923,636**
Work in process	**73,107**	73,327	**683,243**
Raw materials	**105,040**	91,997	**981,682**
	¥383,976	¥334,214	**$3,588,561**

5 INVESTMENTS AND ADVANCES

Summarized financial information of affiliates that are accounted for by the equity method is as follows:

	Millions of Yen		Thousands of U.S. Dollars
At March 31, 2005 and 2004	**2005**	2004	**2005**
Current assets	**¥232,723**	¥ 90,628	**$2,174,981**
Noncurrent assets	**134,433**	47,853	**1,256,383**
Total assets	**367,156**	138,481	**3,431,364**
Current liabilities	**202,871**	68,183	**1,895,990**
Noncurrent liabilities	**54,995**	18,343	**513,972**
Total liabilities	**257,866**	86,526	**2,409,962**
Net assets	**¥109,290**	¥ 51,955	**$1,021,402**
Sanyo's investment in affiliates	**¥ 46,197**	¥ 25,555	**$ 431,748**
Number of affiliated companies at March 31			
In Japan	**18**	18	
Outside Japan	**9**	9	

	Millions of Yen			Thousands of U.S. Dollars
Years ended March 31, 2005, 2004 and 2003	**2005**	2004	2003	**2005**
Results of operations:				
Net sales	**¥349,076**	¥208,673	¥181,170	**$3,262,393**
Net (loss) income	**(3,479)**	5,448	1,713	**(32,514)**
Sanyo's equity in affiliates:				
Net income	**¥ 736**	¥ 1,625	¥ 1,598	**$ 6,879**
Cash dividends	**719**	803	345	**6,720**
Transactions with affiliates:				
Sales to	**¥148,919**	¥ 83,610	¥ 30,705	**$1,391,766**
Purchases from	**82,227**	33,268	33,618	**768,477**

At March 31, 2005, one of the principal affiliates is SANYO EPSON IMAGING DEVICES CORPORATION ("SEID"), in which the Company has a 45.0% equity ownership interest. Sales to affiliates for the year ended March 31, 2005 includes sales of certain assets to SEID. See Note 21 " Supplementary Information to statements of operations and cash flows" for detail.

The aggregate carrying amount and market value of investments in affiliates (for which a quoted market price is available) at March 31, 2005 and 2004 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Carrying amount	**¥ 8,248**	¥ 7,854	**$77,084**
Market value	**8,770**	10,081	**81,963**

6 INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities included in short-term investments (current assets) and in investments and advances — other (non-current assets) at March 31, 2005 and 2004 are summarized as follows.

	Millions of Yen							
	2005				2004			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale								
Debt securities	**¥ 13,873**	**¥ 13,979**	**¥ 185**	**¥ 79**	¥ 21,260	¥ 21,352	¥ 135	¥ 43
Equity securities	**89,700**	**109,739**	**25,097**	**5,058**	93,668	125,827	37,175	5,016
	103,573	**123,718**	**25,282**	**5,137**	114,928	147,179	37,310	5,059
Held-to-maturity								
Debt securities	**26,600**	**26,268**	**0**	**332**	14,672	14,569	20	123
	26,600	**26,268**	**0**	**332**	14,672	14,569	20	123
Total investments in debt and equity securities	**¥130,173**	**¥149,986**	**¥25,282**	**¥5,469**	¥129,600	¥161,748	¥37,330	¥5,182

	Thousands of U.S. Dollars			
	2005			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale				
Debt securities	**$ 129,654**	**$ 130,645**	**$ 1,729**	**$ 738**
Equity securities	**838,318**	**1,025,598**	**234,551**	**47,271**
	967,972	**1,156,243**	**236,280**	**48,009**
Held-to-maturity				
Debt securities	**248,598**	**245,495**	**0**	**3,103**
	248,598	**245,495**	**0**	**3,103**
Total investments in debt and equity securities	**$1,216,570**	**$1,401,738**	**$236,280**	**$51,112**

Contractual maturities of investments in debt securities classified as available-for-sale securities and held-to-maturity securities at March 31, 2005 are summarized as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Available-for-sale		Held-to-maturity		Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	¥ 3,024	¥ 3,024	¥ 6,519	¥ 6,519	$ 28,262	$ 28,262	$ 60,925	$ 60,925
Due after 1 year through 5 years	—	—	7,247	7,236	—	—	67,729	67,626
Due after 5 years	10,849	10,955	12,834	12,513	101,392	102,383	119,944	116,944
	¥13,873	¥13,979	¥26,600	¥26,268	$129,654	$130,645	$248,598	$245,495

The proceeds from the sale of available-for-sale securities for the years ended March 31, 2005, 2004 and 2003 were ¥34,936 million (US$326,505 thousand), ¥41,295 million and ¥7,004 million, respectively. The gross realized gains and losses on those sales were ¥10,921 million (US$102,065 thousand) and ¥11 million(US$103 thousand), respectively, for the year ended March 31, 2005, ¥13,134 million and ¥785 million, respectively, for the year ended March 31, 2004, and ¥829 million and ¥3,662 million, respectively, for the year ended March 31, 2003.

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2005, are as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Less than 12 Months		12 Months or More		Less than 12 Months		12 Months or More	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale:								
Debt securities	¥ 1,575	¥ 79	¥ —	¥ —	$ 14,720	$ 738	$ —	$ —
Equity securities	3,558	444	16,478	4,614	33,252	4,150	154,000	43,121
	5,133	523	16,478	4,614	47,972	4,888	154,000	43,121
Held-to-maturity:								
Debt securities	10,924	332	—	—	102,093	3,103	—	—
	10,924	332	—	—	102,093	3,103	—	—
Total investments in debt and equity securities	¥16,057	¥ 855	¥16,478	¥4,614	$150,065	$ 7,991	$154,000	$43,121

In evaluating the factors of impairment losses for available-for-sale securities whose fair values are readily determinable, Sanyo presumes a decline to be other-than-temporary if the fair value of the security remains 20 percent below its original cost for an extended period of time (mainly a period up to six months). As a result, at March 31, 2005, Sanyo determined that the decline in value for securities with unrealized losses shown in the above table is not other-than-temporary in nature.

The aggregate cost of non-marketable equity securities accounted for using cost method totaled ¥20,246 million (US$189,215 thousand) and ¥14,664 million at March 31, 2005 and 2004, respectively. Sanyo did not identify any events or changes in circumstances that might have had significant adverse effect on the fair value of those investments.

7 OTHER ASSETS

Other assets at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Intangible assets	**¥ 34,577**	¥ 33,793	**$ 323,149**
Long-term prepaid expenses	**20,748**	18,850	**193,907**
Deferred assets	**1,582**	1,335	**14,785**
Long-term investment in financing leases	**132,087**	137,190	**1,234,458**
Other long-term assets	**23,583**	10,713	**220,402**
Balance at end of year	**¥212,577**	¥201,881	**$1,986,701**

8 LEASES

The Company and its subsidiaries have capital and operating leases for certain machinery and equipment. At March 31, 2005 and 2004, the gross amount of machinery and equipment recorded under capital leases was ¥40,609 million(US$379,523 thousand) and ¥40,596 million, and the related accumulated depreciation was ¥26,771 million (US$250,196 thousand) and ¥25,021 million, respectively. Minimum lease payments for operating leases were ¥3,833million (US$35,822 thousand) and ¥3,862 million for the years ended March 31, 2005 and 2004, respectively.

Future minimum lease payments under non-cancelable capital leases and operating leases at March 31, 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Capital Leases	Operating Leases	Capital Leases	Operating Leases
2006	¥ 8,654	¥ 3,569	$ 80,878	$ 33,355
2007	8,731	2,973	81,598	27,785
2008	1,804	1,756	16,860	16,411
2009	1,295	1,121	12,103	10,476
2010	853	499	7,972	4,664
Thereafter	1,202	1,850	11,234	17,290
Total minimum lease payments	22,539	¥11,768	210,645	$109,981
Less amount representing interest.	1,118		10,449	
Present value of net minimum lease payments	21,421		200,196	
Less current portion	8,354		78,075	
Long-term capital lease obligations	¥ 13,067		$122,121	

A subsidiary of the Company leases machinery and equipment. Leases of such assets are principally accounted for as direct financing leases. Investments in non-cancelable financing leases at March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Total minimum lease payments to be received	**¥ 205,622**	¥ 216,757	**$1,921,701**
Less amounts representing estimated executory cost	**5,041**	5,052	**47,112**
Less unearned income	**19,689**	21,648	**184,010**
	180,892	190,057	**1,690,579**
Less allowance for doubtful receivables	**2,342**	1,906	**21,887**
Net investment in financing leases	**178,550**	188,151	**1,668,692**
Less current portion	**46,463**	50,961	**434,234**
Long-term investment in financing leases	**¥132,087**	¥ 137,190	**$1,234,458**

The aggregate annual maturities of the investments in non-cancelable financing leases after March 31, 2005 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 53,508	$ 500,075
2007	52,213	487,972
2008	40,231	375,990
2009	28,288	264,374
2010 and thereafter	31,382	293,290
	¥205,622	$1,921,701

9 GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Balance at beginning of year	**¥9,431**	¥6,036	**$88,140**
Goodwill acquired during the year	—	3,395	—
Goodwill decreased by impairment loss	**6,790**	—	**63,458**
Balance at end of year	**¥2,641**	¥9,431	**$24,682**

During the year ended March 31, 2005, Sanyo performed the annual impairment test for goodwill and recorded an impairment loss of ¥6,790 million (US$63,458 thousand) in the Consumer division and the Component division . This impairment charge reflected the overall decline in the fair value of a subsidiary within the Consumer division and the Component division. The fair value of that reporting unit was estimated principally using the expected present value of future cash flows.

Intangible assets not subject to amortization principally consist of land leaseholds at March 31, 2005 and 2004 of ¥1,119 million (US$10,458 thousand) and ¥825 million, respectively.

Intangible assets subject to amortization at March 31, 2005 and 2004 were as follows.

	Millions of Yen			
	2005		2004	
	Gross Carrying Amounts	Accumulated Amortization	Gross Carrying Amounts	Accumulated Amortization
Software	**¥54,370**	**¥25,047**	¥37,330	¥14,871
Other	**3,328**	**1,676**	531	259
Total	**¥57,698**	**¥26,723**	¥37,861	¥15,130

	Thousands of U.S. Dollars	
	2005	
	Gross Carrying Amounts	Accumulated Amortization
Software	**$508,131**	**$234,084**
Other	**31,103**	**15,664**
Total	**$539,234**	**$249,748**

Aggregate amortization expense for the years ended March 31, 2005, 2004, and 2003 was ¥9,856 million (US$92,112 thousand), ¥6,256 million, and ¥5,410 million, respectively. Estimated amortized expense for the next five years ending March 31 is ¥9,061 million in 2006, ¥7,344 million in 2007, ¥4,975 million in 2008, ¥2,956 million in 2009, and ¥1,265 million in 2010.

10 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans, which are principally uncollateralized, include bank overdrafts and trade acceptances payable of foreign subsidiaries.

The amount of unused lines of credit was approximately ¥974,000 million (US$9,102,804 thousand) at March 31, 2005.

Short-term borrowings at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Short-term bank loans with interest ranging from 0% to 5.85% and from 0% to 5.60% at March 31, 2005 and March 31, 2004, respectively	**¥370,531**	¥342,830	**$3,462,907**
Commercial paper with interest rate ranging from 0.05% to 0.09% and from 0.01% to 1.41% at March 31, 2005 and March 31, 2004, respectively	**38,000**	43,740	**355,140**
	¥408,531	¥386,570	**$3,818,047**

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Loans, principally from banks and insurance companies, due 2005 to 2019 with interest rates ranging from 0% to 9.50% at Mach 31,2005, and due 2004 to 2015 with interest rates ranging from 0% to 13.20% at March 31, 2004:			
Collateralized (a)	**¥ 812**	¥ 13,120	**$ 7,589**
Uncollateralized	**489,395**	372,601	**4,573,785**
Uncollateralized convertible yen bonds (b):			
1.6% convertible bonds due November 2004	—	49,898	—
Uncollateralized convertible euroyen bonds:			
0% bonds issued by a consolidated subsidiary due March 2009	**4,322**	4,322	**40,393**
Uncollateralized bonds (b):			
3.10% bonds due May 2007	**20,000**	20,000	**186,916**
3.35% bonds due May 2009	**30,000**	30,000	**280,374**
1.925% bonds due June 2005	**20,000**	20,000	**186,916**
2.325% bonds due June 2008	**20,000**	20,000	**186,916**
1.33% bonds due August 2005	**20,000**	20,000	**186,916**
1.82% bonds due August 2007	**30,000**	30,000	**280,374**
0.78% bonds due May 2007	**30,000**	30,000	**280,374**
1.25% bonds due May 2009	**20,000**	20,000	**186,916**
0.53% bonds due June 2010	**20,000**	20,000	**186,916**
0.82% bonds due June 2013	**10,000**	10,000	**93,457**
1.52% bonds due August 2011	**30,000**	—	**280,374**
2.02% bonds due August 2014	**30,000**	—	**280,374**
2.4% bonds issued by a consolidated subsidiary due June 2005	**5,000**	5,000	**46,729**
1.63% bonds issued by a consolidated subsidiary due July 2004	—	5,000	—
1.63% bonds issued by a consolidated subsidiary due July 2004	—	5,000	—
2.00% bonds issued by a consolidated subsidiary due November 2006	**5,000**	5,000	**46,729**
2.00% bonds issued by a consolidated subsidiary due November 2006	**5,000**	5,000	**46,729**
2.42% bonds issued by a consolidated subsidiary due March 2010	**15,000**	15,000	**140,186**
0.80% bonds issued by a consolidated subsidiary due April 2004	—	10,000	—
1.03% bonds issued by a consolidated subsidiary due March 2009	**10,000**	10,000	**93,457**
0.79% bonds issued by a consolidated subsidiary due September 2005	**3,000**	3,000	**28,037**
0.39% bonds issued by a consolidated subsidiary due March 2006	**1,000**	—	**9,346**
1.20% bonds issued by a consolidated subsidiary due August 2009	**300**	—	**2,804**
	818,829	722,941	**7,652,607**
Less: amount due within one year	**139,101**	160,884	**1,300,009**
	¥679,728	¥562,057	**$6,352,598**

(a) These loans are collateralized by property, plant and equipment belonging to the Company's subsidiaries with a book value of ¥5,002 million (US$46,748 thousand).
(b) The Company and certain subsidiaries may not pledge their property or assets for any future borrowings without granting the same or equivalent collateral to the bondholders.

Substantially all of the uncollateralized loan agreements permit the lender to require collateral or guarantors for such loans.

The aggregate annual maturities of long-term debt at March 31, 2005 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥126,076	$1,178,280
2008	177,869	1,662,327
2009	76,417	714,178
2010	130,788	1,222,318
2011 and thereafter	168,578	1,575,495
	¥679,728	$6,352,598

Under the terms of the agreements of the convertible bonds outstanding at March 31, 2005, redemption and conversion options are as follows:

	Redeemable		Current Conversion
	On or After	Price Range	Price per Share
Convertible euroyen bonds:*			
0% convertible bonds issued by a consolidated subsidiary due March 2009	Apr. 1, 2004	104%–100%	¥2,980.00

*Maybe repurchased at any time on the open market.

11 SEVERANCE AND PENSION PLANS

Employees who terminate their service with the Company or its principal domestic subsidiaries are, under most circumstances, entitled to lump-sum payments or an annuity determined by reference to current basic rates of pay, retirement benefits points, length of service and conditions under which the terminations occur.

The Company and its principal subsidiaries also provide retirement benefits for their directors.

Severance and pension costs of the Company and its principal domestic subsidiaries include the following components for the years ended March 31, 2005, 2004 and 2003:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2004	2003	**2005**
Service cost	**¥15,351**	¥17,363	¥23,902	**$143,467**
Interest cost	**13,496**	17,902	20,349	**126,131**
Expected return on plan assets	**(4,763)**	(6,567)	(9,068)	**(44,514)**
Amortization:				
Net transition obligation at date of adoption	**824**	824	824	**7,701**
Prior service cost	**(1,844)**	(1,844)	(329)	**(17,234)**
Actuarial losses	**10,177**	14,648	10,829	**95,112**
Net periodic benefit cost	**¥33,241**	¥42,326	¥46,507	**$310,663**

Assumptions used in determining the net periodic benefit cost for the years ended March 31, 2005, 2004 and 2003 are as follows:

	2005	2004	2003
Discount rate	**2.0–3.0%**	2.0–3.0%	2.75–3.0%
Long-term rate of salary increase	**3.1%**	2.9%	2.9%
Long-term rate of return on fund assets	**2.0–3.0%**	2.0–3.0%	3.0–3.5%

The long-term rate of return on fund assets is based on the projected and actual return on each pension fund.

The following table sets forth the changes in benefit obligation, plan assets and funded status at March 31, 2005 and 2004.

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥462,733**	¥628,232	**$4,324,607**
Service cost	**15,351**	17,363	**143,467**
Interest cost	**13,496**	17,902	**126,131**
Plan participants' contributions	**485**	510	**4,533**
Plan amendment	**—**	(22,724)	**—**
Transfer to the Japanese government of the substitutional portion of welfare pension	**—**	(154,105)	**—**
Actuarial losses	**31,691**	5,930	**296,178**
Benefits paid	**(29,457)**	(30,375)	**(275,299)**
Benefit obligation at end of year	**494,299**	462,733	**4,619,617**
Change in plan assets:			
Fair value of plan assets at beginning of year	**177,342**	236,460	**1,657,402**
Actual return on plan assets	**7,891**	16,170	**73,748**
Employer contributions	**22,205**	21,827	**207,523**
Plan participants' contributions	**485**	510	**4,533**
Transfer to the Japanese government of the substitutional portion of welfare pension	**—**	(82,353)	**—**
Benefits paid	**(15,728)**	(15,272)	**(146,991)**
Fair value of plan assets at end of year	**192,195**	177,342	**1,796,215**
Funded status:			
Benefit obligation in excess of plan assets	**302,104**	285,391	**2,823,402**
Unrecognized net transition obligation at date of adoption	**(549)**	(1,371)	**(5,131)**
Unrecognized prior service cost	**31,519**	33,363	**294,570**
Unrecognized actuarial loss	**(211,063)**	(198,924)	**(1,972,551)**
Net amount recognized	**122,011**	118,459	**1,140,290**
Reconciliation to accrued pension liability:			
Minimum pension liability included in accumulated other comprehensive income, before tax	**92,783**	90,013	**867,131**
Accrued pension liability recognized in the consolidated balance sheets	**¥214,794**	¥208,472	**$2,007,421**

The measurement dates of the retirement benefit obligation and fund assets as of March 31, 2005 and 2004 are December 31, 2004 and 2003, respectively.
Assumptions used in accounting for the retirement benefit obligations as of March 31, 2005 and 2004 are as follows:

	2005	2004
Discount rate	**2.0–2.5%**	2.0–3.0%
Long-term rate of salary increase	**3.4%**	3.1%

Accumulated benefit obligations at March 31, 2005 and 2004 are ¥403,530 million (US$3,771,308 thousand) and ¥385,814 million, respectively. There is no pension fund in which the fair value of fund assets exceeds the accumulated benefit obligation. The estimated contribution amount to fund assets by the Company and its principal subsidiaries for the year ending March 31, 2006 is ¥23,100 million (US$215,888 thousand).

Future benefit payments are expected as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 26,000	$ 242,991
2007	26,500	247,663
2008	29,200	272,897
2009	29,800	278,505
2010	27,200	254,205
2011-2015	133,000	1,242,991
	¥271,700	$2,539,252

The Company and its principal subsidiaries' fund assets at March 31, 2005 and 2004 consisted of the following components:

	2005	2004
Equity securities	**43%**	40%
Debt securities	**19%**	27%
General accounts of life insurance company	**19%**	22%
Others	**19%**	11%
	100%	100%

Sanyo's investment policy to fund assets is to secure pension assets so that it can ensure to grant pensions to beneficiaries in the future.

Fund assets are employed by taking into consideration the long-term rate of return, based on the most suitable combination of basic portfolio, i.e., equity securities or debt securities.

The basic portfolio is made by the mid-long term point of view. If amendment is needed to achieve the long-term rate of return, Sanyo reexamines the basic portfolio as necessary.

12 STOCK OPTION PLANS

The Company has four stock option plans to provide for grants of options to purchase shares of common stock for all its directors and certain key employees. The 2004, 2003, 2002 and 2001 Stock Incentive Plan authorizes the issuance of options to purchase up to 3,600,000, 2,500,000, 1,800,000 and 1,029,000 shares of common stock, respectively. The options granted are vested over two years and are exercisable over a maximum of two years after the options are vested.

A summary of stock option plan activity for the years ended March 31, 2005, 2004 and 2003 is as follows:

	Number of Options (Shares)	Weighted Average Exercise Price: Yen	Weighted Average Exercise Price: U.S. Dollars
Options outstanding at March 31, 2002	2,041,000	¥902	
Granted	1,493,000	558	
Exercised	—	—	
Canceled	—	—	
Options outstanding at March 31, 2003	3,534,000	757	
Granted	2,409,000	481	
Exercised	—	—	
Canceled	—	—	
Options outstanding at March 31, 2004	5,943,000	645	
Granted	3,094,000	455	$4.25
Exercised	—	—	—
Canceled	—	—	—
Expired	(1,029,000)	977	9.13
Options outstanding at March 31, 2005	**8,008,000**	**¥529**	**$4.94**
Options exercisable:			
March 31, 2003	**1,029,000**	**¥977**	**$9.13**
March 31, 2004	**2,041,000**	**902**	**8.43**
March 31, 2005	**2,505,000**	**666**	**6.22**

The following table summarizes information about stock options outstanding at March 31, 2005:

Range of Exercise Prices	Options Outstanding: Number Outstanding	Options Outstanding: Weighted Average Remaining Contractual Life	Options Outstanding: Weighted Average Exercise Price: Yen	Options Outstanding: Weighted Average Exercise Price: U.S. Dollars	Options Exercisable: Number Exercisable	Options Exercisable: Weighted Average Exercise Price: Yen	Options Exercisable: Weighted Average Exercise Price: U.S. Dollars
¥455 to ¥481	5,503,000	2.0	¥466	$4.36	—	¥ —	$ —
¥558 to ¥826	2,505,000	0.8	666	6.22	2,505,000	666	6.22
	8,008,000	1.6	¥529	$4.94	2,505,000	¥666	$6.22

SANYO Electric Credit Co., Ltd. has a stock option plan to provide for grants of options to purchase shares of common stock for all its directors and certain key employees. The 2002 Stock Incentive Plan authorizes the issuance of options to purchase up to 350,000 shares of common stock. The options granted are vested over two years and are exercisable over a maximum of three years after the options are vested.

A summary of stock option plan activity for the years ended March 31, 2005, 2004 and 2003 is as follows:

	Number of Options (Shares)	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life
		Yen	U.S. Dollars	
Options outstanding at March 31, 2002	—	—		
Granted	329,500	¥3,104		
Exercised	—	—		
Canceled	—	—		
Options outstanding at March 31, 2003	329,500	3,104		
Granted	—	—		
Exercised	—	—		
Canceled	—	—		
Options outstanding at March 31, 2004	329,500	3,104		
Granted	—	—	—	
Exercised	—	—	—	
Canceled	—	—	—	
Options outstanding at March 31, 2005	**329,500**	**¥3,104**	**$29.01**	**2.3**
Options exercisable:				
March 31, 2003	**—**	**—**		
March 31, 2004	**—**	**—**		
March 31, 2005	**329,500**	**¥3,104**	**$29.01**	

13 COMMITMENTS AND CONTINGENT LIABILITIES

Substantially all of Sanyo's rental expense relates to operating leases for office space and warehouses. Such leases are customarily renewed, and total rental expense is not significant. (See Note8.) Commitments outstanding at March 31, 2005 for the purchase of property, plant and equipment approximated ¥4,629 million (US$43,262 thousand).Contingent liabilities at March 31, 2005 for notes discounted in the ordinary course of business, consumer loans guaranteed by a financing subsidiary and other loans guaranteed amounted to ¥13,911 million (US$130,009 thousand), ¥101,062 million (US$944,505 thousand) and ¥42,542 million (US$397,589 thousand), respectively. No material loss is anticipated by management as a result of these discounted notes and guaranteed loans.

Sanyo guarantees the quality or performance of its products and services for a certain period. The movement in the provision for warranty costs for the years ended March 31, 2005 and 2004 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Balance at beginning of year	**¥5,231**	¥4,644	**$48,888**
Provision for the warranty costs added during the period	**4,709**	4,290	**44,009**
Warranty paid during the period	**(4,425)**	(3,525)	**(41,355)**
Adjustment	**23**	(178)	**215**
Balance at end of year	**¥5,538**	¥5,231	**$51,757**

The Company and its subsidiaries are defendants in several lawsuits. In the opinion of management, these lawsuits are without merit and will not materially affect Sanyo's operations, financial position or cash flows.

14 FINANCIAL INSTRUMENTS

Sanyo used the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such a value:

(a) Cash and cash equivalents, trade and finance receivables, short-term borrowings, current portion of long-term debt and trade payables

The carrying amount approximates fair value because of the short maturities of these instruments.

(b) Short-term investments

The fair value of short-term investments is based on quoted market prices. (See Note 6.)

(c) Investments and advances

The fair value of certain investments is based on quoted market prices. For other investments which have no quoted market prices, a reasonable estimate of fair value cannot be made without incurring excessive costs. (See Note 6.)

(d) Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using an appropriate current discount rate.

(e) Foreign currency exchange forward contracts

The fair value of foreign currency exchange forward contracts is estimated by obtaining quotes from brokers.

(f) Interest rate and currency swap agreements

The fair value of interest rate and currency swap agreements is estimated based on discounted cash flows using current interest and exchange rates.

Sanyo does not hold or issue any financial instruments for trading purposes.

Although Sanyo may be exposed to losses in the event of nonperformance by counterparties or interest and currency fluctuations, it does not anticipate significant losses from the arrangements previously described.

The estimated fair values of financial instruments as of March 31, 2005 and 2004 are as follows:

	Millions of Yen					
	2005			2004		
	Notional Amount	Carrying Amount	Fair Value	Notional Amount	Carrying Amount	Fair Value
Long-term debt	**¥ —**	**¥679,728**	**¥689,992**	¥ —	¥562,057	¥588,692
Foreign currency forward contracts-selling	**162,072**	**(2,192)**	**(2,192)**	76,225	1,091	1,091
Foreign currency forward contracts-buying	**11,947**	**(103)**	**(103)**	24,988	393	393
Currency option contracts-selling	**1,374**	**(73)**	**(73)**	6,024	(579)	(579)
Currency option contracts-buying	**343**	**0**	**0**	2,008	8	8
Interest rate and currency swap	**263,907**	**(1,320)**	**(1,320)**	320,855	(2,926)	(2,926)

	Thousands of U.S. Dollars		
	2005		
	Notional Amount	Carrying Amount	Fair Value
Long-term debt	**$ —**	**$6,352,598**	**$6,448,523**
Foreign currency forward contracts-selling	**1,514,692**	**(20,486)**	**(20,486)**
Foreign currency forward contracts-buying	**111,654**	**(963)**	**(963)**
Currency option contracts-selling	**12,841**	**(682)**	**(682)**
Currency option contracts-buying	**3,206**	**0**	**0**
Interest rate and currency swap	**2,466,421**	**(12,336)**	**(12,336)**

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to develop estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that could be realized in the current market. The use of different market assumptions or valuation methodologies may have an effect on the estimated fair value amounts.

15 DERIVATIVES AND HEDGING

Risk management policy

Sanyo operates, manufactures and sells electronic products and provides certain financial services in various locations around the world. Sanyo's activities expose it mainly to risks related to the effects of changes in foreign currency exchange rates and interest rates. Derivatives are held in accordance with the formally documented risk management program. Sanyo utilizes certain derivatives to manage its foreign currency and interest risk exposure, including forecasted transactions. Sanyo holds derivatives for purposes other than trading.

Foreign currency exchange risk management

Sanyo maintains a foreign-currency risk management strategy in which derivatives are used to minimize exposure and to reduce risk from exchange rate fluctuations. Foreign currency forward contracts and foreign currency swaps are not designated, and do not qualify, as hedges since they do not meet the requirements for hedge accounting. Changes in the fair value of these contracts and the foreign currency translation gain or loss arising from assets and liabilities denominated in foreign currencies are reported as a component of other income and expense in the consolidated statements of operations.

Interest rate risk management

Sanyo maintains an interest rate risk management strategy in which derivatives are used to reduce risk from interest rate fluctuations. Sanyo's goals are to manage interest rate sensitivity by modifying the characteristics of its debt and to lower the cost of its borrowing rates where possible.

Fair value hedges

Sanyo uses interest rate swaps to convert a portion of its nonprepayable fixed-rate debt into floating-rate debt. The resulting cost of funds is lower than it would be if floating-rate debt were issued directly. Under an interest rate swap contract, Sanyo agrees with other parties to exchange the difference between fixed-rate and floating-rate interest amounts calculated based on an agreed-upon notional amount.

The fair value of derivatives and changes in the fair value of the underlying hedged items are reported in the balance sheets. Changes in the fair value of these derivatives and underlying hedged items are generally offset and are recorded in each period as interest expense. There were no transactions that ceased to qualify as fair value hedges during the year ended March 31, 2005.

Cash flow hedges

Sanyo has entered into pay fixed, receive floating interest rate swaps to hedge the interest rate exposure of future interest payments.

For these cash flow hedge transactions, the fair values of the derivatives are recorded in the balance sheets. The effective portion of changes in the fair values of these derivatives are first recorded in other comprehensive loss and are then reclassified as interest expense in the period in which earnings are impacted by the hedged items. There were no transactions that ceased to qualify as cash flow hedges during the year ended March 31, 2005. The ineffective portion of hedges recorded as interest expense in the current period was not material. Assuming that the market rates of interest remains the same as the rate at March 31, 2005, a ¥420 million ($3,925 thousand) loss, included in other comprehensive loss, net of taxes and minority interests of ¥929 million ($8,682 thousand), is expected to be recognized in earnings over the next twelve months. The maximum term over which Sanyo is hedging exposures to the variability of cash flows is nine years.

16 STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), the entire amount of the issue price of new shares issued upon conversion of convertible debt to common stock is required to be capitalized as stated capital, although the Company may, by resolution of its Board of Directors, capitalize an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

The Code provides that an amount equivalent to at least 10% of cash appropriations of retained earnings be appropriated as a legal reserve until the aggregated amount of additional paid-in capital and the legal reserve equal 25% of a company's stated capital. The legal reserve of Sanyo, amounting to ¥36,736 million (US$343,327 thousand) and ¥36,328 million, respectively, was included in retained earnings at March 31, 2005 and 2004.

17 INCOME TAXES

Sanyo is subject to a number of different income taxes which, in aggregate, result in a statutory income tax rate in Japan of approximately 40.5% for the year ended March 31, 2005 and 42% for the years ended March 31, 2004 and 2003.

Reconciliations of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2005, 2004 and 2003 are as follows:

	2005	2004	2003
Statutory income tax rate	**40.5%**	42.0%	42.0%
(Decrease) increase in taxes resulting from:			
Change in valuation allowance	**(208.9)**	9.8	(12.2)
Effect of change in statutory tax rate	**—**	4.0	(8.8)
Expenses not deductible for tax purposes	**(0.5)**	0.3	(0.8)
Tax credits	**0.2**	(1.1)	0.1
Differences in statutory tax rates of foreign subsidiaries	**5.1**	(6.7)	1.9
Other	**(0.6)**	13.7	(3.1)
Effective income tax rate	**(164.2)%**	62.0%	19.1%

The significant components of deferred income tax assets and deferred income tax liabilities at March 31, 2005 and 2004 are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Deferred income tax assets:			
Accrued pension and severance costs	**¥77,434**	¥76,776	**$723,682**
Accrued expenses	**25,410**	15,695	**237,477**
Operating loss carryforwards	**79,640**	39,278	**744,299**
Inventories	**8,870**	8,323	**82,897**
Allowance for doubtful accounts	**12,198**	9,797	**114,000**
Property, plant and equipment	**19,741**	11,196	**184,495**
Enterprise taxes	**898**	664	**8,393**
Long-term investments	**346**	4,872	**3,234**
Other	**31,682**	21,046	**296,093**
Gross deferred income tax assets	**256,219**	187,647	**2,394,570**
Less valuation allowance	**(197,314)**	(27,841)	**(1,844,056)**
Total deferred income tax assets	**58,905**	159,806	**550,514**
Deferred income tax liabilities:			
Deferred income	**(5,422)**	(5,811)	**(50,673)**
Deferred expenses	**—**	(70)	**—**
Other	**(3,060)**	(2,714)	**(28,598)**
Gross deferred income tax liabilities	**(8,482)**	(8,595)	**(79,271)**
Net deferred income tax assets	**¥50,423**	¥151,211	**$471,243**

Net changes in the total valuation allowance for the years ended March 31, 2005 and 2004 were an increase of ¥169,473 million (US$1,583,860 thousand) and an increase of ¥2,481 million, respectively.

Operating loss carryforwards at March 31, 2005 amounted to approximately ¥194,953 million (US$1,821,991 thousand) and are available for offset against future taxable income. These will expire mainly in the periods from ending March 31,2007, through 2012.

18 RESEARCH AND DEVELOPMENT, SHIPPING AND HANDLING, AND ADVERTISING EXPENSES

Research and development expenses for the years ended March 31, 2005, 2004, and 2003 were ¥131,828 million (US$1,232,037 thousand), ¥125,206 million and ¥120,833 million, respectively.

Shipping and handling expenses which are included in selling, general and administrative expenses for the years ended March 31, 2005, 2004 and 2003 were ¥52,155 million (US$487,430 thousand), ¥45,119 million and ¥43,802 million, respectively.

Advertising expenses which are included in selling, general and administrative expenses for the years ended March 31, 2005, 2004, and 2003 were ¥14,859 million (US$138,869 thousand), ¥15,826 million and ¥15,839 million, respectively.

19 (LOSS) INCOME PER SHARE

(Loss) income per share for the years ended March 31, 2005, 2004 and 2003 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2004	2003	**2005**
Basic income per share calculation:				
Income (numerator):				
Net (loss) income	**¥ (171,544)**	¥ 13,400	¥ (61,671)	**$(1,603,215)**
Shares, thousands (denominator):				
Weighted average number of shares	**1,854,947**	1,855,193	1,863,198	
Basic (loss) income per share (yen and U.S. dollars)	**¥ (92.5)**	¥ 7.2	¥ (33.1)	**$ (0.864)**
Diluted income per share calculation:				
Income (numerator):				
Net (loss) income	**¥ (171,544)**	¥ 13,400	¥ (61,671)	**$(1,603,215)**
Interest on convertible bonds, net of tax	**—**	—	—	**—**
Adjusted net (loss) income	**¥ (171,544)**	¥ 13,400	¥ (61,671)	**$(1,603,215)**
Shares, thousands (denominator):				
Weighted average number of shares	**1,854,947**	1,855,193	1,863,198	
Assumed conversion of convertible bonds	**—**	—	—	
Assumed exercise of stock options	**—**	100	—	
Adjusted weighted average number of shares	**1,854,947**	1,855,293	1,863,198	
Diluted (loss) income per share (yen and U.S. dollars)	**¥ (92.5)**	¥ 7.2	¥ (33.1)	**$ (0.864)**

The calculation of the weighted average number of shares for diluted income per share for the years ended March 31, 2005, 2004 and 2003 did not include incremental shares of 32,109 thousand, 48,164 thousand and 48,164 thousand, respectively, from assumed conversions of convertible bonds since their effects were antidilutive.

20 VARIABLE INTEREST ENTITIES

A subsidiary in the financing business uses Special Purpose Entities ("SPEs") in structured finance to liquidate customers' lands and buildings. The SPEs were determined to be variable interest entities ("VIEs") under FIN46R. As of March 31, 2005, the subsidiary provided mezzanine loans of ¥25,092 million (US$234,505 thousand) and invested ¥306 million (US$2,860 thousand) in equity to the SPEs. Risks the subsidiary was exposed to were limited to the loans and investments in equity. The total assets of the SPEs was ¥95,287 million (US$890,533) as of March 31, 2005. The consolidated subsidiaries were primary beneficiaries of three VIEs and consolidated the entities. The total assets of the consolidated VIEs was ¥12,832 million (US$119,925 thousand). Creditors of the consolidated VIEs had no recourse to the Company's assets.

The subsidiary also provided loans, and investments in equity to entities in the credit-card industry, automobile retail company and other service companies. The companies were determined to be VIEs. As of March 31, 2005, the subsidiary provided loans of ¥14,382 million (US$134,411 thousand) and invested ¥2,258 million (US$21,103 thousand) in equity. Risks the subsidiary was exposed to were limited to the loans and investments in equity. The total assets of these VIEs was ¥62,654 million (US$585,551 thousand) at March 31,2005. The subsidiary was the primary beneficiary of two VIEs and consolidated the entities. The total assets of the consolidated VIEs was ¥3,274 million (US$30,598 thousand). Creditors of the consolidated VIEs had no recourse to the Company's assets.

21 SUPPLEMENTARY INFORMATION TO STATEMENTS OF OPERATIONS AND CASH FLOWS

Supplementary information to statements of operations for the years ended March 31, 2005, 2004 and 2003 is as follows:

Loss on earthquake

Loss on earthquake includes various losses and costs of Niigata SANYO Electronic Co., Ltd. The consolidated subsidiary is one of Sanyo's main semiconductor manufacturers and was heavily damaged by the series of earthquakes in the Chuetsu region of Niigata Prefecture on October 23, 2004.

The losses comprise as follows:

Year ended March 31, 2005	Millions of Yen	Thousands of U.S. Dollars
Loss on disposal of fixed assets	¥ 18,122	$ 169,364
Loss on disposal of damaged inventories	5,083	47,505
Repair and restoration expenses	19,168	179,140
	¥42,373	$396,009

Repair and restoration expenses include repair expenses for the damaged utilities and machineries which are amounted to ¥14,200 million (US$132,710 thousand).

Other income and expenses

	Millions of Yen			Thousands of U.S. Dollars
	2005	2004	2003	**2005**
Other income:				
Gain on sale on equity securities	**¥ 10,474**	¥ 12,117	¥ 6,038	**$ 97,888**
Net rental income received (a)	**4,726**	4,604	4,168	**44,168**
Equity in earnings of affiliated companies	**2,661**	2,651	3,150	**24,869**
Other	**9,262**	8,181	16,382	**86,561**
	¥ 27,123	¥ 27,553	¥ 29,738	**$ 253,486**
Other expenses				
Exchange loss, net	**¥ 1,267**	¥ 16,508	¥ 6,075	**$ 11,841**
Impairment loss on investment securities	**3,676**	2,643	78,197	**34,355**
Impairment and disposal of investments and bad debts	**7,257**	7,238	22,306	**67,823**
Loss on disposal of fixed assets (b)	**14,459**	9,397	5,638	**135,131**
Impairment loss on fixed assets (c)	**7,338**	—	—	**68,579**
Impairment loss on goodwill (d)	**6,790**	—	—	**63,458**
Extra payments of retirement benefit (b)	**14,719**	6,208	16,446	**137,561**
Provision for loss from real estate development	**1,600**	7,570	—	**14,953**
Other (e)	**23,475**	19,119	42,023	**219,393**
	¥ 80,581	¥ 68,683	¥170,685	**$ 753,094**

(a) Net rental income relates to mainly office space rent to third parties.

(b) For the year ended March 31 2005, loss on disposal of fixed assets mainly comprises a replacement of LSI manufacturing machinery in the Tokyo plant and battery manufacturing machinery in Kaizuka plant as well as reformation expenses related to a change in the facility layout in the Tokyo plant to improve manufacturing processes. Extra payments of retirement benefits in the year ended March 31 2005 mainly related to the reformation of Tokyo plant where the Company implemented an employee transfer program, paying a one-off additional retirement benefit to employees who were transferred to a manufacturing subsidiary, for the compensation of a change in the working condition.

For the year ended March 31, 2004, 2003, the extra benefits were related to transferring manufacturing functions from domestic factories to overseas factories, for mainly home appliances such as vacuum cleaners and microwave ovens in 2004 and for mainly home air conditioner in 2003.

(c) Impairment losses on fixed assets, recognized in accordance with FAS No.144 "Accounting for the impairment or Disposal of Long-Lived Assets, " relates to an idle land. The land was scheduled to be leased to a third party in the year ended March 31, 2004 and the Company concluded there were no impairment required in the year ended March 31, 2004.

In the year ended March 31, 2005, the development and leasing plan was postponed and management concluded to write the land down to its net selling price.

(d) See Note 9 "Goodwill and intangible assets" for the detail on the impairment loss on goodwill, recognized in accordance with FAS No.142 "Goodwill and Other Intangible Assets."

(e) Other expense for the year ended March 31, 2005, includes depreciation expenses of idle production facilities , which is amounted to ¥5,490 million (US$51,308 thousand), and also includes charges for repairing recalled laundry machines amounting to ¥2,074 million (US$19,383 thousand). For the year ended March 31, 2004, other expense includes impairment loss on foreign joint venture investments amounting to ¥8,028 million and impairment loss on real estates amounting to ¥8,636 million.

Supplementary information relating to the statements of cash flows for the years ended March 31, 2005, 2004, and 2003 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2004	2003	**2005**
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest	**¥15,296**	¥14,104	¥16,698	**$142,953**
Income taxes	**18,538**	24,442	25,062	**173,252**
Conversion of convertible bonds issued by a consolidated subsidiary	**—**	430	2	**—**

On October 1, 2004, Sanyo founded SANYO EPSON IMAGING DEVICES CORPORATION ("SEID") with Seiko Epson Corporation and contributed certain assets and liabilities aggregating ¥62,466 million (US$583,794 thousand) and ¥15,312 million (US$143,103 thousand), respectively. As a result, the Company acquired a 45% interest in SEID.

Report of Independent Auditors

ChuoAoyama PricewaterhouseCoopers

To the Stockholders and the Board of Directors
SANYO Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of SANYO Electric Co., Ltd. and its subsidiaries as of March 31, 2005 and 2004 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2005, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The information relating to segments of a business enterprise required to be disclosed in financial statements by Statement of Financial Accounting Standards No. 131 under accounting principles generally accepted in the United States of America is not presented in the accompanying financial statements.

In our opinion, except for omission of the information as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SANYO Electric Co., Ltd. and its subsidiaries as of March 31, 2005 and 2004 and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

ChuoAoyama PricewaterhouseCoopers

Osaka, Japan
June 29, 2005

Directors and Corporate Auditors / Officers

DIRECTORS AND CORPORATE AUDITORS

(As of June 29, 2005)

Directors

Executive Director
Satoshi Iue

Executive Director & Chairman
Tomoyo Nonaka

Executive Director & President
Toshimasa Iue

Executive Director
Yoichiro Furuse

Director & Vice Chairman
Sadao Kondo

Director & Corporate Senior Adviser
Yukinori Kuwano

Directors
Nobuaki Kumagai (Outside Director)
Louis E. Lataif (Outside Director)
Satoshi Inoue
Osamu Kajikawa

Corporate Auditors

Corporate Executive Auditors
Ryota Tominaga
Kenzo Kurokawa
Toshiya Uchida

Corporate Auditors

Toshio Morikawa (Outside Corporate Auditor)
Hiroshi Toda (Outside Corporate Auditor)
Osamu Okamoto(Outside Corporate Auditor)

OFFICERS

(As of June 29, 2005)

Chairman & CEO
Tomoyo Nonaka

President & COO
Toshimasa Iue

Executive Vice President & CFO
Yoichiro Furuse

Executive Officers
Satoshi Inoue
Osamu Kajikawa
Yasusuke Tanaka
Hiroshi Ono
Akira Kan
Mitsuru Honma
Shinichi Miki

Senior Officers
Teruo Tabata
Toshiaki Iue
Takenori Ugari
Yoshihiro Nishiguchi
Tadao Shimada
Yoshio Iwasa

Officers
Akiyoshi Takano
Shosaku Kurome
Shinya Tsuda
Keiichi Yodoshi
Nobuaki Matsuoka
Takuya Kobayashi
Tsutomu Nozaki
Michihiro Shigeta
Tsutomu Asano
Katsuhisa Kawashima
Kohei Wakayama
Kazuhiro Takeda
Masato Ito
Seiichiro Sano
Hidetoshi Arima
Sousei Takeuchi
Morihiro Kubo

Principal Consolidated Subsidiaries/ Principal Overseas Subsidiaries and Affiliates

PRINCIPAL CONSOLIDATED SUBSIDIARIES

(As of March 31, 2005)

SANYO ELECTRIC CREDIT CO.,LTD
Principal Business:Installment Sales,Leasing,and Financing

TOTTORI SANYO Electric Co.,Ltd
Principal Business:Manufacture and Sales of Electronic Parts

NIIGATA SANYO ELECTRONIC CO.,LTD
Principal Business:Manufacture and Sales of Semiconductors

KANTO SANYO Semiconductors CO.,LTD
Principal Business: Manufacture and Sales of Semiconductors

SANYO Sales & Marketing Corporation
Principal Business:Sales,Export,and Import of Electrical Equipment

SANYO Commercial Sales Co.,Ltd
Principal Business:Sales and Installation of Refrigerators/Freezers and Kitchen Appliances

SANYO Semicon Device Co.,Ltd
Principal Business: Sales of Semiconductors

SANYO NORTH AMERICA CORPORATION
Principal Business:Sales of Electrical Equipment and Local General Businesses

SANYO MANUFACTURING CORPORATION
Principal Business: Manufacture and Sales of Color TVs and Others Products

SANYO ENERGY (U.S.A.)CORPORATION
Principal Business: Manufacture and Sales of Batteries

SANYO ASIA PTE LTD
Principal Business: Local General Business

SANYO PT(M) SDN.BHD.
Principal Business: Manufacture and Sales of Telephones

SANYO ELECTRIC (HONG KONG) LIMITED
Principal Business:Sales of Electrical Equipment

SANYO SEMICONDUCTOR (H.K.)CO.,LTD
Principal Business: Sales of Semiconductors

(The Company has a total of 142 consolidated subsidiaries-61 in Japan and 81 overseas.)

PRINCIPAL OVERSEAS SUBSIDIARIES AND AFFILIATES

(As of April 2005)

★Manufacturing Companies
●Sales Companies
■Other Companies

Home Electronics Group

★ SANYO MANUFACTURING CORPORATION, Forrest City, Arkansas, U.S.A.
★ SANYO E & E CORPORATION, San Diego, California, U.S.A.
★ SANYO INDUSTRIES (U.K.) LIMITED, Loestoft, United Kingdom
★ SANYO ESPANA, S.A., Barcelona, Spain
★ SANYO ARGO CLIMA S.r.L., Gallarate, Italy
★ SANYO ELECTRIC HOME APPLIANCES (SUZHOU) CO., LTD., Suzhou, China
★ SUZHOU SANYO ELECTRO-MECHANICAL CO., LTD., Suzhou, China
★ SHENYANG SANYO AIRCONDITIONER CO., LTD., Shenyang, China
★ DALIAN SANYO HOME APPLIANCE CO., LTD., Dalian, China
★ GUANGDONG SANYO AIR CONDITIONER CO., LTD., Foshan, China
★ Dongguan Huaqiang SANYO Electronics Co., Ltd., Dongguang, China
★ HEFEI RONGSHIDA SANYO ELECTRIC CO., LTD., Hefei, China
★ SANYO ELECTRIC (TAIWAN) CO., LTD., Taiwan
★ SANYO UNIVERSAL ELECTRIC PUBLIC CO., LTD., Bankok, Thailand
★ P.T. SANYO ELECTRONICS INDONESIA, Bekasi, Indonesia
★ P.T. SANYO INDONESIA, Bekasi, Indonesia
★ P.T. SANYO COMPRESSOR INDONESIA, Bekasi, Indonesia
★ SANYO HA ASEAN CORPORATION, Bien Hoa, Vietnam
● SANYO (PHILIPPINES), INC., Metro Manila, Philippines
● SANYO AIRCONDITIONERS MANUFACTURING SINGAPORE PTE. LTD.,Singapore
● SANYO SALES AND SERVICE SDN. BHD.,Petaling Jaya, Malaysia
● SANYO MALAYSIA SDN. BHD., Singapore
● SANYO AIRCONDITIONERS (SINGAPORE) PTE. LTD., Singapore
● P.T. Sanyo Sales Indonesia, Jakarta, Indonesia
● SANYO (THAILAND) CO., LTD., Bangkok, Thailand
■ GUANGDONG HUAQIANG SANYO GROUP CO., LTD., Dongguang, China
■ SANYO DIGITAL DESIGN (SHENZHEN) LIMITED, Shenzen, China
■ SHENZHEN HUAQIANG SANYO TECHNOLOGY DESIGN CO., LTD., Shenzen, China
■ SANYO MANUFACTURING S.A. de C.V., Tijuana, Mexico
■ SANYO E&E S.A.DE C.V., Tijuana, Mexico

Personal Electronics Group

★ KOREA T T CO., LTD., Masan, Korea
★ TESONIC-TOTTORI SANYO ELECTRIC CO., LTD., Guangzhou, China
★ TIANJIN SANYO TELECOMMUNICATION EQUIPMENT CO., LTD, Tianjin, China
★ SANYO PT(M) SDN. BHD., Johor, Thailand
★ SANYO DI Solutions VIETNAM Corporation, Don Nai Province, Vietnam
★ BPL SANYO LIMITED, Bangalore, India

Component & Device Group

★ SANYO ELECTRONIC DEVICE(U.S.A.) CORPORATION, San Diego, California, U.S.A.
★ KOREA TOKYO SILICON CO., LTD., Musan, Korea
★ KOREA TOKYO ELECTRONIC CO., LTD., Musan, Korea
★ SANYO SEMICONDUCTOR (SHEKOU) LTD., Shenzen, China
★ DONGGUAN HUAQIANG SANYO MOTOR CO., LTD., Dongguan, China
★ SHENZHEN SANYO HUAQIANG OPTICAL TECHNOLOGY CO., LTD., Shenzen, China
★ SANYO ELECTRIC (SHEKOU) LTD., Shenzen, China
★ SUZHOU SANYO SEMICONDUCTOR CO.,LTD., Suzhou, China
★ TOTTORI SANYO ELECTRIC (SHENZHEN) CO., LTD., Shenzen, China
★ SANYO Electronic Components (Suzhou) Co.,Ltd., Suzhou, China
★ SANYO OPTICAL COMPONENT (HUIZHOU) CO., LTD., Huizhou, China
★ SANYO Motor Parts(Shenzhen) Co.,Ltd., Shenzen, China
★ SANYO SEMICONDUCTOR ELECTRONICS (H.K.) CO., LTD., Hong Kong
★ SANYO ELECTRONIC COMPONENTS (HK) Ltd., Hong Kong
★ SANYO OPTRONICS (HONG KONG) COMPANY LIMITED, Hong Kong
★ TOTTORI SANYO ELECTRIC (HONG KONG) LIMITED, Hong Kong
★ SANYO ELECTRONIC (TAICHUNG) CO., LTD., Taiwan
★ SANYO SEMICONDUCTOR MANUFACTURING PHILIPPINES CORPORATION, Tarlac, Philippines
★ SANYO CAPACITOR (PHILIPPINES) CORPORATION, Tarlac, Philippines
★ TOTTORI SANYO ELECTRIC (PHILIPPINES) CORPORATION, Cavite, Philippines

★ SANYO SEMICONDUCTOR (THAILAND) CO., LTD., Utai, Thailand
★ SANYO PRECISION SINGAPORE PTE. LTD, Singapore
★ P.T. SANYO JAYA COMPONENTS INDONESIA, Bogor, West Java, Indonesia
★ P.T. SANYO PRECISION BATAM, Batam Island, Indonesia
● SANYO SEMICONDUCTOR CORPORATION, Allendale, New Jersey, U.S.A.
● SANYO SEMICONDUCTOR DISTRIBUTION (USA) CORPORATION, Norwood, New Jersey, U.S.A.
● SANYO SEMICONDUCTOR TAIPEI CO., LTD., Taiwan
● SANYO SEMICONDUCTOR (H.K.) CO., LTD., Hong Kong
● SANYO SEMICONDUCTOR (S) PTE., LTD., Singapore
● SANYO ELECTRONIC COMPONENTS (SINGAPORE) PRIVATE LIMITED, Singapore
■ SANYO Video Components S.A. de C.V.. Tijuana, Mexico
■ SANYO LSI TECHNOLOGY INDIA PRIVATE LIMITED, Bangalore, India

Power Solutions Group

★ SANYO ENERGY (U.S.A.) CORPORATION, San Diego, California, U.S.A.
★ SANYO COMPONENT EUROPE CORPORATE GmbH, Munchen, Germany
★ Dioss Nyrany a.s., Czech Republic
★ SANYO Automedia Sdn. Bhd., Penang, Malaysia
★ SANYO ELECTRIC (PENANG) SDN. BHD., Penang, Malaysia
★ SHENZHEN SANYO HUAQIANG ENERGY CO., LTD., Shenzen, China
★ SANYO ENERGY(SUZHOU)Co.,Ltd., Suzhou, China
★ SANYO ENERGY(BEIJING)Co.,Ltd., Beijing, China
★ SANYO GS BATTERY (SHANGHAI) Ltd., Shanghai, China
★ SANYO ENERGY (HONG KONG) COMPANY LIMITED, Hong Kong
★ PT. SANYO Energy Batam, Batam Island, Indonesia
★ SANYO ENERGY (TAIWAN) CO., LTD., Taiwan
● SANYO ENERGY (UK) COMPANY LIMITED, Hemel Hempstead, United Kingdom
● SANYO ENERGY (SINGAPORE) CORPORATION PTE. LTD., Singapore
● TOTTORI SANYO PROCUREMENT CENTER SDN. BHD., Penang, Malaysia
■ SANYO AUTOMOTIVE U.S.A.,INC, Detroit, Michigan, U.S.A.

Commercial Solutions Group

★ SANYO SOLAR (USA) L.L.C., Carson, California, U.S.A.
★ MABE SANYO COMPRESSORS S.A. DE C.V., Sanluis Potosi, Mexico
★ Dalian Sanyo Cold-Chain Co., Ltd., Dalian, China
★ Dalian Sanyo Refrigeration Co., Ltd., Dalian, China
★ DALIAN SANYO AIR CONDITIONER CO., LTD., Dalian, China
★ Dalian Bingshan Metal Processing Co., Ltd., Dalian, China
★ Dalian Honjo Chemical Corporation, Dalian, China
★ DALIAN SANYO COMPRESSOR CO., LTD., Dalian, China
★ Qingdao SANYO Electric Co., Ltd., Qingdao, China
★ CHINA RESOURCES(SHEN YANG)SANYO COMPRESSOR CO.,LTD., Shenyang, China
★ P.T. JAYA INDAH CASTING, Bekasi, Indonesia
● SANYO COMMERCIAL REFRIGERATION INTERNATIONAL CO., LIMITED, Hong Kong
● SANYO SMI (THAILAND) CO., LTD., Bangkok, Thailand
■ Bonded Area Dalian Sanyo Cooling&Heating Technology Co.,Ltd., Dalian, China
■ BEIJING SANYO CLEANING CO., LTD., Beijing, China
■ DALIAN BINGSHAN SANYO CLEANING CO., LTD., Dalian, China

Sales & Marketing Group

★ NEWSAN S.A., Buenos Aires, Argentina
★ SANYO DA AMAZONIA S.A., Manaus, Brazil
● SANYO BIOMEDICAL EUROPE B.V., Netherlands
● SANYO CANADA INC., Concord, Ontario, Canada
● SANYO BURO-ELECTRONIC EUROPA-VERTRIEB GMBH, Munchen, Germany
● SANYO SPEECHTEK LIMITED, Watford, United Kingdom
● SANYO AIRCONDITIONERS EUROPE S.r.L, Milano, Italy
● Sanyo Sales & Marketing (Korea) Corporation, Seoul, Korea
● SANYO ELECTRIC INTERNATIONAL TRADING CO., LTD., Shanghai, China
● SANYO SALES & MARKETING (SHENZHEN) CORPORATION, Shenzhen, China
● SANYO OCEANIA PTY. LTD., Sydney, N.S.W., Australia
● SANYO PORTUGAL ELECTRONICA S.A., Rio de Mouro, Portugal
● SANYO ARMCO (KENYA) LIMITED, Nairobi, Kenya
● SANYO SOUTH AFRICA (PTY) LTD, Sandton, South Africa
● SANYO GULF FZE, Dubai, United Arab Emirates
■ SANYO ELECTRIC SERVICE(EUROPE)AG, Basel, Switzerland
■ SANYO TECHNICAL SERVICE (H.K.) LIMITED, Hong Kong

Business Planning & Management Group

★ SANYO HUNGARY KFT., Ipari Park, Hungary
● SANYO FISHER Sales (Europe) GMBH, Munchen, Germany
■ SANYO NORTH AMERICA CORPORATION, San Diego, California, U.S.A.
■ SANYO LOGISTICS CORPORATION, Torrance, California, U.S.A.
■ SANYO CUSTOMS BROKERAGE, INC. San Diego, California, U.S.A.
■ SANYO CUSTOMS BROKERAGE S.A. de C.V., Tijuana, Mexico
■ SANYO Europe Ltd., Watford, United Kingdom
■ SANYO ELECTRIC (CHINA) CO., LTD., Beijing, China
■ SANYO ELECTRIC INTERNATIONAL LOGISTICS (SHENZHEN) CO. LTD., Shenzen, China
■ SANYO ELECTRIC (HONG KONG) LIMITED, Hong Kong
■ SANYO ASIA PTE LTD, Singapore

SANYO Electric Co., Ltd. Head Office

SANYO Electric Co.,Ltd. Head Office

■ SANYO ELECTRIC FINANCE(USA) CORPORATION, New York, New York, U.S.A.
■ SANYO ELECTRIC INTERNATIONAL FINANCE(UK) PLC, Watford, United Kingdom
■ BPL SANYO FINANCE LIMITED, Bangalore, India
■ SANYO Global Insurance, Inc., Honolulu, Hawaii, U.S.A.

Investor Information

HEAD OFFICE
5-5, Keihan-Hondori 2-chome, Moriguchi City, Osaka 570-8677, Japan
Telephone: +81-6-6991-1181
Facsimile: +81-6-6992-0009
URL:http://www.sanyo.co.jp/

U.S. CONTACT ADDRESS
SANYO NORTH AMERICA CORPORATION
(Head Office)
2055 Sanyo Avenue, San Diego, CA92154, U.S.A.
Telephone: +1-619-661-1134
Facsimile: +1-619-661-6795

FOUNDATION
Founded: February 1947 Incorporated: April 1950

COMMON STOCK (As of March 31, 2005)
Authorized: 4,921,196,000 shares
Issued: 1,872,338,099 shares

CAPITAL (As of March 31, 2005)
¥172,242,294,083

NUMBER OF STOCKHOLDERS (As of March 31, 2005)
257,255

STOCK LISTINGS
Japan: Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
Overseas: Amsterdam, Frankfurt, Switzerland, Paris
American Depositary Shares for common stock are quoted in the NASDAQ System in the United States.

STOCK TRANSFER AGENT
The Sumitomo Trust & Banking Co., Ltd., 5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

COMMON STOCK PRICE RANGE
The highs and lows of Sanyo common stock on the Tokyo Stock Exchange for each quarter of 2005, 2004 and 2003 are as follows
(SANYO Electric Co.,Ltd for the years ended March 31, 2005, 2004, and 2003)

	2005		2004		2003	
	High	**Low**	High	Low	High	Low
First quarter	**¥545**	**¥411**	¥426	¥326	¥633	¥488
Second quarter	**455**	**355**	531	413	568	406
Third quarter	**378**	**330**	562	448	417	264
Fourth quarter	**370**	**331**	614	483	371	305

CASH DIVIDENDS
Interim and year-end cash dividends per share paid to stockholders for 2005, 2004 and 2003 are as follows
(SANYO Electric Co.,Ltd for the years ended March 31, 2005, 2004, and 2003)

2005-II	**2005-I**	2004-II	2004-I	2003-II	2003-I
—	**¥3.00**	¥3.00	¥3.00	¥3.00	¥3.00

SANYO Electric Co., Ltd.

PRINTED WITH SOY INK™

Printed in Japan on 100% recycled paper and nonwood paper

EXHIBIT N

SANYO

SANYO Electric Co., Ltd.

Annual Report 2006

For the year ended March 31 , 2006

The Evolution for GAIA

SANYO EVOLUTION PROJECT

Think GAIA

What can SANYO do for Life and the Earth?
Our answer is Think GAIA.

Think GAIA
For Life and the Earth

- **Environment** — Blue Planet — Addressing global environmental issues
- **Energy** — Genesis III — Creating a clean-energy society
- **Lifestyle** — Harmonious Society — Enabling people to live in harmony with the Earth

How do we ensure that children of the future will have a beautiful planet to live on?
For SANYO, the answer is to treat the Earth as a single living organism,
and create the products we truly need to continue living in harmony with this precious planet.
This is the conviction that inspires SANYO's vision, "Think GAIA".
It is a threefold approach, consisting of action on the environmental, energy and lifestyle fronts.
In each of these fields, SANYO redefines conventional ideas and takes a radically new perspective,
taking advantage of its unique technological resources to propose global solutions
for Life and the Earth.

Management Philosophy

"We are committed to becoming an indispensable element in the lives of people all over the world"

SANYO Electric Co., Ltd., incorporated in 1950, has undertaken global business operations since early in its history. As of March 2006, Sanyo has 82 manufacturing, 46 sales and 36 other companies, all located outside Japan. Sanyo manufactures and provides a broad range of electric products and services, which are grouped into four business segments: Consumer, Commercial, Components and Others.

In Japanese, the name Sanyo means "three oceans." In regard to this name, Sanyo's founder, Toshio Iue, stated his idea: "The name Sanyo represents the Pacific, Atlantic and Indian oceans: in other words, the entire world." To live up to its name, Sanyo aims to grow as a truly global company.

In July 2005, Sanyo announced a new corporate vision "Think GAIA," with the aim of "transforming Sanyo into a company that delights the Earth and life." This new vision represents our intention to treat the Earth as a single living organism, and create the products we truly need to continue living in harmony with this precious planet.

To realize this vision, we are taking a threefold approach consisting of action on the environmental , energy and lifestyle fronts. In each of these fields, Sanyo is redefining conventional ideas and taking a radically new perspective, to provide products that make use of its unique technological resources.

In November 2005, when Medium-term Management Plan was announced, Sanyo declared its intention to become a leading provider of environment-and energy-related products and services.

Contents

Notice released to Future Outlook

All statements in this annual report, other than past factual matters, are future results projected in accordance with Sanyo's present plans, outlooks and strategies, based on management judgments in light of information currently available. Therefore, Sanyo cannot guarantee the accuracy and reliability of this information, and requests that you do not rely on this information alone.

There are various risks and uncertainties relating to factors that cause change in business results. The principal factors influencing results include 1) large changes in economic conditions and capital markets, as well as changes in consumption in businesses in which Sanyo engages, 2) the effects of fluctuation in exchange rates between the yen and the U.S. dollar, as well as the yen and other currencies, on Sanyo's international business activities, 3) various trade restrictions in the markets of individual countries, and 4) Sanyo's ability to provide new technologies, new products and new services amid rapid technological innovation in information technology (IT), market competition and price competition. However, it should be noted that factors affecting Sanyo's performance are not limited to the factors mentioned above; there are other factors that pose latent risks and uncertainties.

In this annual report, "the Company" refers to SANYO Electric Co., Ltd. and "Sanyo" to SANYO Electric Co., Ltd. and its consolidated subsidiaries, unless otherwise specified.

Financial Highlights

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 2006, 2005 and 2004

	Millions of Yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Net Sales (Note b and c)	**¥2,397,026**	¥2,484,639	¥2,508,018	**$20,487,402**
Operating (loss) income (Note b and c)	**(17,154)**	35,236	87,113	**(146,615)**
Net (loss) income	**(205,661)**	(171,544)	13,400	**(1,757,786)**
Total stockholders' equity (at year-end)	**402,892**	288,268	497,302	**3,443,521**
Total assets (at year-end)	**2,154,837**	2,600,677	2,643,627	**18,417,410**
	Yen			U.S. Dollars (Note a)
Per Share (Note c and d):				
Net (loss) income				
Basic				
Net (loss) income from continuing operations	**¥(192.4)**	¥(93.2)	¥6.6	**$(1.64)**
Net (loss) income from discontinued operations	**(2.6)**	0.7	0.6	**(0.02)**
Net (loss) income	**(195.0)**	(92.5)	7.2	**(1.66)**
Diluted				
Net (loss) income from continuing operations	**¥(192.4)**	¥(93.2)	¥6.6	**$(1.64)**
Net (loss) income from discontinued operations	**(2.6)**	0.7	0.6	**(0.02)**
Net (loss) income	**(195.0)**	(92.5)	7.2	**(1.66)**
Cash dividends declared	—	3.0	6.0	—
Per American Depositary Share (Note c, d and e):				
Net (loss) income				
Basic				
Net (loss) income from continuing operations	**¥(961.9)**	¥(466.2)	¥33.0	**$(8.22)**
Net (loss) income from discontinued operations	**(12.9)**	3.7	3.0	**(0.11)**
Net (loss) income	**(974.8)**	(462.5)	36.0	**(8.33)**
Diluted				
Net (loss) income from continuing operations	**¥(961.9)**	¥(466.2)	¥33.0	**$(8.22)**
Net (loss) income from discontinued operations	**(12.9)**	3.7	3.0	**(0.11)**
Net (loss) income	**(974.8)**	(462.5)	36.0	**(8.33)**
Cash dividends declared	—	15.0	30.0	—

Notes: (a)U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥117 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2006. See Note 3 of Notes to Consolidated Financial Statements.

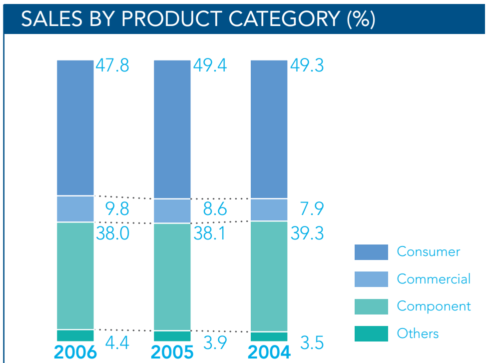
(b)To be consistent with financial reporting principles and practices generally accepted in Japan, operating (loss) income is calculated as net sales and operating revenue less cost of sales and selling, general and administrative expenses. The Company considers showing operating (loss) income convenient for investors to compare Sanyo's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges-for example, restructuring and impairment charges and abnormal product warranty costs would be included in the determination of operating (loss) income in the consolidated statements of income.

(c)Due to the sale of SANYO Electric Credit Co., Ltd. on December 27, 2005, Sanyo shows its business results and profit or loss on sale independently as discontinued operations. Prior period results have been reclassified to the 2006 presentation.

(d)See Notes 3 and 23 of Notes to Consolidated Financial Statements.

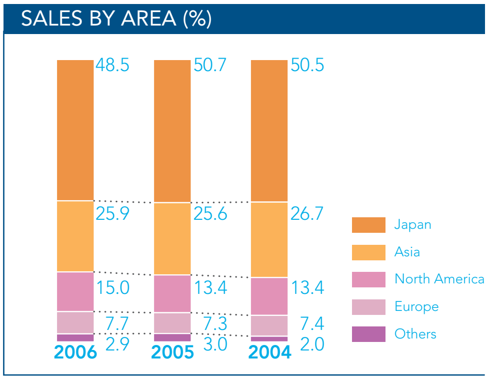
(e)One American Depositary Share represents five shares of common stock.

SALES BY PRODUCT CATEGORY (%)



Note: This graph shows figures for sales to external customers only.

SALES BY AREA (%)



Note: This graph shows figures for sales to external customers only, according to the geographic regions of customers.

Message from management

"In line with Medium-term Management Plan, Sanyo will implement structural reforms with the aim of becoming a leading provider of environment- and energy-related products and services."

With great regret, Sanyo recorded a net loss of ¥205.7 billion (US$1,758 million) in the fiscal year ended March 31, 2006, due primarily to restructuring charges, following the previous year's net loss. As a result, no dividend was declared during the year.

Structural reform related expenses for the year under review were booked on the basis of Sanyo's Medium-term Management Plan, which was released in November 2005, as such expenditures were judged essential for Sanyo's transformation into "a leading provider of environment- and energy-related products and services."

In this context, after gaining the understanding and resolution of our stockholders at an extraordinary meeting, we raised new capital of ¥300 billion (US$2,564 million) through issuance of preferred stocks to third parties in March 2006 for the purpose of strengthening our capital structure. In the period ahead we will do our utmost to realize structural reforms, thereby improving our business performance and quickly restoring our credit with stakeholders.

Business results

For the fiscal year ended March 31, 2006 and 2005

	Unit:100 millions of Yen			Unit:millions of U.S.dollars
	2006	2005	Increase (Decrease)	2006
Net sales	23,970	24,846	(876)	20,487
Loss before income taxes and minority interests from continuing operations	(1,657)	(688)	(969)	(1,416)
Net loss	(2,057)	(1,715)	(342)	(1,758)
Cash dividends declared (Yen & U.S.dollars)	—	3.0	(3.0)	—
Net loss per share (Yen & U.S.dollars)	(195.0)	(92.5)	(102.5)	(1.66)

Fiscal Year Ended March 2006 in Review

Consolidated net sales in the fiscal year ended March 31, 2006 were down 3.5% from the previous year, to ¥2,397.0 billion (US$20,487 million). Lithium-ion battery and solar cell sales surged, while the sales recovery of semiconductor business delayed due to the impact of the Niigata Chuetsu Earthquake in 2004, and sales fell sharply in the liquid crystal display business, which underwent a spin-off. In addition, increasingly fierce competition in the digital consumer electronics market caused sales in the consumer business segment to decrease. Overall, net sales resulted in a year-to-year decline.

We sold a portion of our stockholdings in SANYO Electric Credit Co., Ltd. as part of our structural reforms. As a result, SANYO Electric Credit Co., Ltd.'s business is presented as discontinued operations in our financial statements for the year under review. Excluding the influence of this measure, loss before income taxes and minority interests from continuing operations came to ¥165.7 billion (US$1,416 million). This loss was mainly due to ¥84.9 billion (US$726 million) in structural reform related expenses associated with slimming down of assets, business restructuring and personnel reductions. In addition, as a result of reassessment of profitability of operations and assets in line with these structural reforms, ¥71.3 billion (US$610 million) in impairment loss on fixed assets, as well as inventory revaluation was written down, not effecting cash flow. With the addition of income taxes and net loss from discontinued operations, net loss for the fiscal year under review came to ¥205.7 billion (US$1,758 million).

Formulation of Medium-term Management Plan

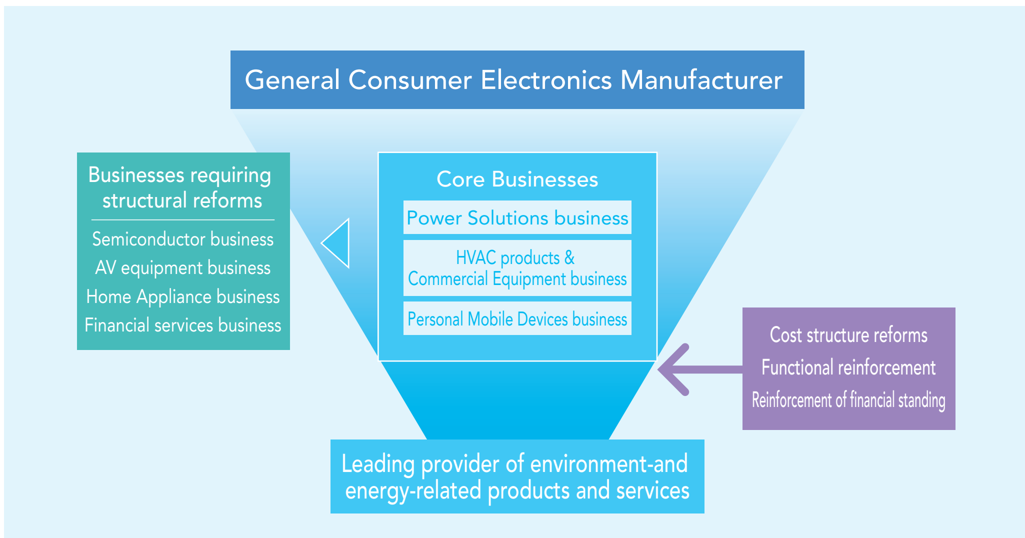
Sanyo posted a net loss of ¥171.5 billion on a consolidated basis in the fiscal year ended March 2005. Taking this situation seriously, Sanyo established a new management system by reshuffling management in July 2005 so as to avert the crisis of group-wide decline in profit. At the same time, we launched the "SANYO EVOLUTION PROJECT," upholding the new vision "Think GAIA," on the initiatives of new management. The SANYO EVOLUTION PROJECT comprises three plans: "Business Portfolio Evolution Plan "(for "business portfolio reforms"); "Corporate DNA Evolution Plan" (for "corporate culture, organization and management process reforms"); and "Financial Evolution Plan" (for "improving Sanyo's financial standing").

To achieve these drastic structural reforms, we needed to announce a clearly defined management plan both inside and outside of Sanyo. We therefore formulated Medium-term Management Plan in November 2005. In line with Medium-term Management Plan, Sanyo would break from being a conventional general consumer electronics manufacturer to a leading provider of environment- and energy-related products and services. To this end, we divided Sanyo's businesses into the core businesses and businesses requiring structural reforms, making it clear that Sanyo will concentrate its management resources on the core businesses, in which Sanyo has an advantage over competitors.

Sanyo has selected the following three core businesses:
- Power Solutions business
- HVAC products & Commercial Equipment business
- Personal Mobile Devices business

On the other hand, the following four businesses have been selected businesses requiring structural reforms.
- Semiconductor business
- AV equipment business
- Home Appliance business
- Financial services business

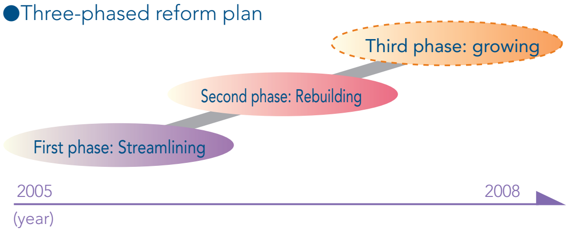
Overview of Medium-term Management Plan



Sanyo has been pushing forward with structural reforms comprising the following three phases:streamlining, rebuilding and growing. In the fiscal year ended March 31, 2006, the first year of Medium-term Management Plan, Sanyo focused on attaining our "streamlining" goals. As a result, Sanyo achieved most of its three-year reduction targets. Specifically, the personnel reduction target was attained ahead of schedule. We also decreased assets and therefore reduced interest-bearing debts as scheduled in Medium-term Management Plan.

In the fiscal year ending March 31, 2007, we have already entered the second phase, "rebuilding." To reach the final phase, "growing" as quickly as possible, Sanyo will thoroughly review all businesses and functions so as to transform Sanyo into a company capable of sustainable growth.

●Three-phased reform plan



With regard to business restructuring, we have already undertaken reforms of specific business models. Sanyo is also working on functional reinforcement in terms of business management, purchasing, manufacturing technology, logistics and inventory control, to achieve Group-wide optimization.

As a leading provider of environment- and energy-related products and services, Sanyo will provide products on the environmental, energy and lifestyle fronts, making use of the unique technologies that Sanyo has developed from new perspectives. We will exert our maximum effort to increase profits and maximize our corporate value to realize growth, thereby regaining the trust of all our stakeholders.

Capital increase through issuance of preferred stocks to third parties

In order to strengthen our capital structure and restore credibility, after the resolution of an extraordinary meeting of stockholders, the Company raised capital of ¥300 billion (US$2,564 million) in March 2006 through issuance of preferred stocks to third parties - the Daiwa Securities SMBC Group, Goldman Sachs Group, and Sumitomo Mitsui Banking Corporation - all of which recognized our potential. Thus, the capital structure has been improved. In the period ahead we will strive to attain remarkable growth, using the funds for capital investment and research and development focusing on core businesses, as well as for the acceleration of our structural reforms.

Major Items of Consolidated Balance Sheets

For the fiscal years ended March 31, 2006 and 2005

	Unit:100 millions of Yen			Unit: millions of U.S. dollars
	2006	2005	Increase (Decrease)	2006
Total assets	21,548	26,007	(4,459)	18,417
Stockholders' equity	4,029	2,883	1,146	3,444
Stockholders' equity ratio (%)	18.7	11.1	7.6	—
Interest-bearing debt	7,922	12,139	(4,217)	6,771
Debt-equity ratio (times)	2.0	4.2	(2.2)	—

Consolidated balance sheets

Total assets as of March 31, 2006 dropped to ¥2,154.8 billion (US$18,417 million) from ¥2,600.7 billion a year earlier, down ¥445.9 billion. Factors behind this asset decline include the deconsolidation of SANYO Electric Credit Co., Ltd. from the consolidated financial statements due to the Company's sale of a portion of its stockholdings in SANYO Electric Credit Co., Ltd., a decrease in other investments and advances due to the sale of stocks the Company held, a drop in property, plant and equipment due to impairment loss on fixed assets and the sale of real property and other assets, and a reduction in inventories.

Despite a huge net loss, stockholders' equity rose to ¥402.9 billion (US$3,444 million) as a result of capital increase through issuance of preferred stocks to third parties. Stockholders' equity ratio improved from 11.1% at the end of the previous year to 18.7%, the level as of March 31, 2004.

Interest-bearing debt decreased from ¥1,213.9 billion to ¥792.2 billion (US$6,771 million), a ¥421.7 billion decline. Deconsolidation of SANYO Electric Credit Co., Ltd. from the consolidated financial statements resulted in a ¥341.2 billion decrease in interest-bearing debt, while the remaining ¥80.5 billion reduction was due to other factors. As a consequence, the debt-equity ratio, which is based on interest-bearing debt, dropped from 4.2 times at the end of the previous fiscal year to 2.0 times.

Consolidated cash flows

As for cash flow activities in the fiscal year ended March 31, 2006, cash flow from operating activities resulted in outflow of ¥0.7 billion (US$6 million) because of the booking of net loss, while net cash provided by investing activities was positive ¥36.0 billion (US$308 million), owing to reduced capital investment and sale of holding stocks and fixed assets. Accordingly, free cash flow (net cash from operating activities plus net cash from investing activities) improved to positive ¥35.3 billion (US$302 million), from negative cash flow of ¥78.5 billion in the previous year. Cash flow from financing activities resulted in net outflow of ¥70.0 billion (US$598million) as a result of the Company's efforts to reduce interest-bearing debt. As a consequence, cash and cash equivalents at the end of the fiscal year under review maintained a year-earlier level, at ¥297.5 billion (US$2,543 million).

The funds raised through the above-mentioned capital increase have been set aside from cash and deposits as restricted cash (notes) for expenditures for particular purposes.

(notes):Note 6 of "notes to Consolidated Financial Statements"

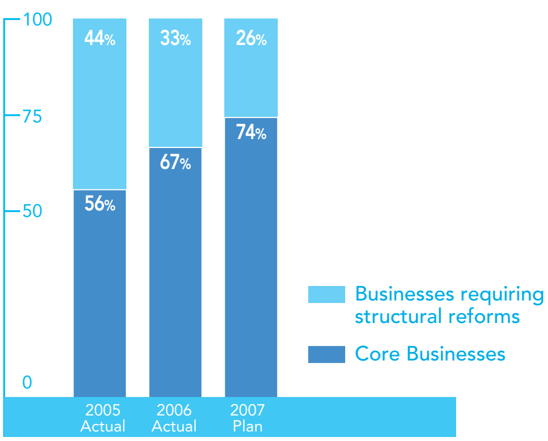
Capital investment and R&D expenses

Capital investment in the fiscal year ended March 31, 2006 totaled ¥73.1 billion (US$625 million), down from ¥100.7 billion in the previous year. This drop was mainly because core businesses and businesses requiring structural reforms were specified and capital investment in the semiconductor business and other businesses undergoing structural reforms was reduced.

Research and development expenses fell to ¥126.8 billion (US$1,083 million), from ¥131.8 billion in the previous year.

As a result of completion of the capital increase and asset reductions, Sanyo's financial standing has been reinforced. Sanyo therefore plan to make active capital investments in core businesses in the fiscal year ending March 2007, focusing particularly on rechargeable batteries and solar cells.

Proportion to capital expenditure of core businesses and businesses requiring structural reforms



For the fiscal years ended or ending March 31

Management Reforms

At the extraordinary meeting of stockholders held on February 24, 2006, the Articles of Incorporation were amended to change the number of Directors from not more than 15 to not more than 9, and to shorten the term of office of any Director to one year. At the same time, to enable the Directors to play their full part, as expected in performing their tasks, the Articles of Incorporation were amended to include provisions regarding the limitation of liability of Directors within the range provided by law. At the said extraordinary meeting of stockholders, seven board members were newly elected, and a total of four new Outside Directors joined the Board of Directors, and the management was reshuffled. Two of the new Directors are from Daiwa Securities SMBC Group; the other two are from Goldman Sachs Group. Through a resolution adopted at the stockholder's meeting held on June 23, 2006, among these Outside Directors, two were reselected and were then selected as Executive Directors at the meeting of the Board of Directors held on the same day.

As part of the efforts to ensure that Directors efficiently perform their tasks, Sanyo convenes the Board of Directors once a month, to make important decisions and oversee business execution by Directors. Moreover, Sanyo abolished the previous system of appointing CEO, COO and CFO, also doing away with the top management meeting based on that system, establishing in its stead a Steering Committee, organized by new management members, as a decision-making body. To facilitate careful deliberation at meetings of the Board of Directors and to improve management efficiency, all board members attend the Steering Committee meetings, which are held at least twice a month. At Steering Committee meetings, they preliminarily review the items on the agenda for the meeting of the Board of Directors, and make swift decisions on fundamental and important subjects concerning certain business implementations. In the case of important decisions, more than two-thirds of all Directors must approve at the meeting of the Board of Directors.

Plan for Fiscal Year Ending March 2007

In the fiscal year ending in March 31, 2007, Sanyo should regain the trust of all stakeholders by implementing structural reforms that improve Sanyo's business performance, in line with Medium-term Management Plan.

Sanyo will work to move forward from the "streamlining" to the "rebuilding" phase, and then advance into the "growing" phase as quickly as possible. To realize this target, Sanyo will review all businesses and functions of Sanyo from a global perspective, and accelerate the reform programs so as to transform Sanyo into a company capable of sustainable growth.

Our three priority themes for the fiscal year ending March 31, 2007 are as follows:
- Reinforcing corporate governance
- Strengthening global development
- Further advancing structural reforms

Sanyo will earnestly pursue these themes in both business and functional terms.

Sanyo will take aggressive measures, by further focusing management resources onto the three core businesses. As for businesses requiring structural reforms, Sanyo will continue to advance the business model reforms so as to carry through as a self-sustaining business organization.

Sanyo will also work on functional reinforcement in terms of business management, purchasing, manufacturing technology, logistics and inventory control, to achieve Group-wide optimization. Specifically, Sanyo International Procurement Center has been set up in China with the aim of lowering the cost of sales ratio. We will also continue our efforts to review and reinforce global business management functions, so as to eliminate waste of management resources and further increase added value.

Sanyo will definitely transform itself into a company that pleases all its stakeholders, including stockholders, financial institutes concerned, customers, clients, employees and local communities. We would like to ask all of our stakeholders for their continued understanding and support.

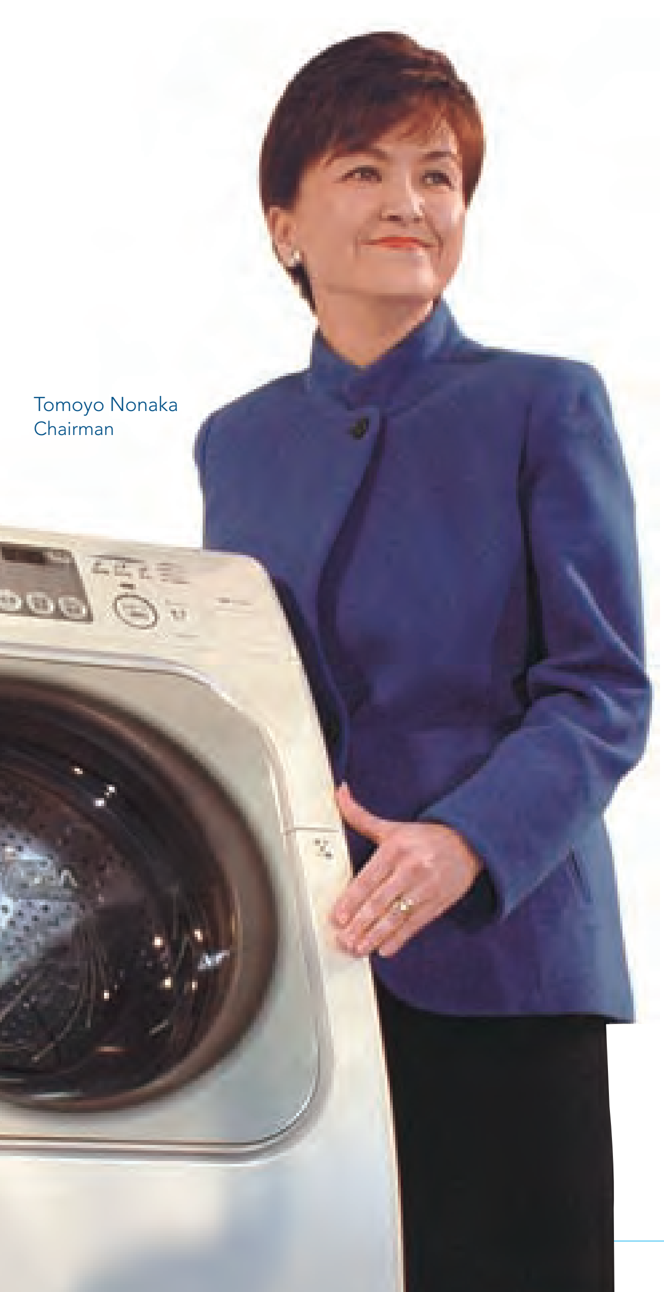
June 2006

Tomoyo Nonaka
Chairman

Toshimasa Iue
President

Tomoyo Nonaka, Chairman/left
Toshimasa Iue, President/right

With the aim of transforming Sanyo into "a company that delights the Earth and life", we will realize our new corporate vision "Think GAIA."



Tomoyo Nonaka
Chairman

In July 2005, Sanyo announced its new corporate vision "Think GAIA."

Sanyo treats the Earth as a single living organism, and creates products we truly need to continue living in harmony with this precious planet. This is the conviction that inspires Sanyo's vision "Think GAIA".

To realize this vision, Sanyo is taking a threefold approach consisting of action on the environmental, energy and lifestyle fronts. In each of these fields, Sanyo is redefining conventional ideas and taking radically new perspectives, making optimal use of its unique technological resources so as to transform Sanyo into a company that delights the Earth and life.

"SANYO EVOLUTION PROJECT," a three-year structural reform project, was commenced to realize the "Think GAIA" vision.

In conjunction with the announcement of our new corporate vision "Think GAIA," Sanyo launched the "SANYO EVOLUTION PROJECT," a structural reform project for realizing our new vision. This project consists of the following three structural plans.

The Evolution for GAIA

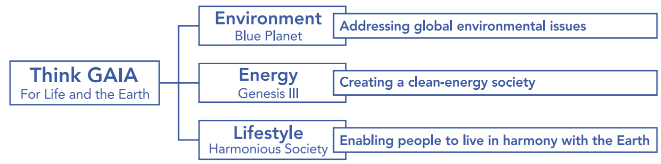
SANYO EVOLUTION PROJECT

Business Portfolio Evolution Plan
Business Portfolio Reforms for profitable growth

Corporate DNA Evolution Plan
Corporate culture, organization and management process reforms

Financial Evolution Plan
Improve Financial Condition

The "Think GAIA" vision imparts direction to the structural reform project and provides action guidelines to each and every employee, all of whom play a central role in Sanyo's transformation. Project implementation has led to the development of products that embody our new corporate vision. In the right page, we introduce "Think GAIA" products.



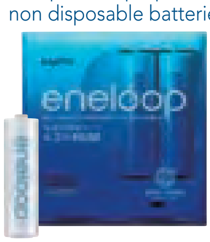
Sanyo is pursuing three programs to make the "Think GAIA" vision a reality.

Concepts of "Think GAIA" Products—to restore a beautiful earth to the future generation—

Introduced here are products that embody Sanyo's new corporate vision "Think GAIA." For example, "eneloop" is a non-disposable battery we have developed based on the idea that if we could develop a rechargeable battery in place of a dry cell battery, the future of the Earth might be changed. To restore a beautiful earth to the future generation, Sanyo will continue to evolve "Think GAIA" products for our customers, based on the theme "symbiotic evolution of the Earth and of Life."

Rechargeable nickel metal hydride battery "eneloop"

"eneloop" is a high-performance rechargeable battery that customers can use immediately after purchase. In addition, it can be repeatedly used about 1,000 times. This product proposes a new lifestyle with non disposable batteries.



eneloop

Compact quick charger set
N-MDR02S
(Two AA 'eneloop' batteries included)

High-definition digital movie camera Xacti DMX-HD1

This digital movie camera is designed to shoot and view high-definition (720P) video and real high-resolution (5 mega pixels) still images. With Xacti DMX-HD1, Sanyo proposes a new style of camera that enables you to shoot both still images and video easily with one hand.

Xacti

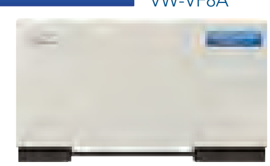
DMX-HD1

Commercial air purifier equipped with electrolyzed water bacteria-eliminating system "Virus Washer"

Sanyo has developed an air purifying system capable of eliminating airborne virus in large rooms. This product offers solutions for a healthy and comfortable lifestyle.

virus washer
α電解水除菌システム

VW-VF8A



Drum type washer/dryer "AQUA" with "Air (Ozone) Wash" function - disinfecting & deodorizing using ozone

By changing the oxygen in the air to ozone, this product eliminates bacteria and odors, and purifies the final rinse water without disposal, enabling recycled use of the water. With "AQUA", Sanyo is offering a completely new cleaning technology that delights the Earth and life.

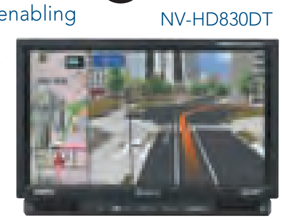
AQUA AWD-AQ1

Portable HDD navigation system "GORILLA" with built-in TV tuner for ※one-segment digital terrestrial TV broadcasting

GORILLA

NV-HD830DT

This product features a built-in tuner for one-segment broadcasting, enabling users to enjoy stable images on television in a car. This car navigation system is also equipped with a function to provide drivers with information on eco-driving, helping reduce CO_2 emissions. With "GORILLA," Sanyo proposes a new car lifestyle.



※Tests conducted by Japan Food Research Laboratories/ Testing methods: agar plate culture method, bacteria elimination using ozone
※Capacity: 2kg or less. This product may not be used for some leather products and metal goods.

※Digital terrestrial broadcasting service for mobile terminals

"We will overcome the crisis and transform Sanyo into a company capable of sustainable growth."

Toshimasa Iue, President

In the fiscal year ending in March 2007, we seek to regain the credit of all stakeholders by advancing structural reforms. To achieve this, we first need to fully accomplish the goals of Medium-term Management Plan and obtain clear results. Here we explain Medium-term Management Plan and report on our achievements thus far.

Sections "Background of Formulating Medium-term Management Plan," "Outline of Medium-term Management Plan," and "Medium-term Management Plan Targets" describe the concept of the Plan at the time it was announced (as of November 18, 2005). The section "Progress of Medium-term Management Plan" explains achievements in the fiscal year ended in March 2006, which marks the first year of this three-year plan.

Business results and Medium-term Management Plan

(Notes)
1) Regarding operating income, see Note (b) on page 3.
2) Numerical targets of Medium-term Management Plan are formulated based on conditions as of November 18, 2005.

Background of Formulating Medium-term Management Plan

In recent years, the business climate surrounding Sanyo, as well as the entire electric industry, has become more challenging than ever before. Contributing factors include increasingly fierce global competition, surging raw material costs, changing customer needs, shortening product life cycle, and decreasing product prices. Under such circumstances, Sanyo's performance showed a tendency toward overall decline in profitability, particularly due to slowdown in businesses related to AV equipment (televisions, videos etc.) and home appliances (washing machines, refrigerators, air conditioners etc.), affected by intensifying competition in digital consumer products, decreasing product unit prices, and surging raw material costs.

Furthermore, in the Niigata Chuetsu Earthquake which occurred in October 2004, Sanyo suffered substantial losses due to damage caused to NIIGATA SANYO ELECTRONIC CO., LTD. (present SANYO Semiconductor Manufacturing Co., Ltd.), a consolidated subsidiary engaged in front-end processing for semiconductor manufacture. As a result, Sanyo recorded consolidated net loss of ¥171.5 billion for the fiscal year ended March 31, 2005.

To overcome this crisis of earnings deterioration, in July 2005 we started the "SANYO EVOLUTION PROJECT" under our new corporate vision "Think GAIA." The Project represents Sanyo's determination to forward "business portfolio reforms aimed at valuable growth," "corporate culture, organization and management process reforms," and "improve Sanyo's financial standing."

To achieve these structural reforms, we needed to announce a clearly defined management plan to both inside and outside Sanyo. We therefore formulated Medium-term Management Plan in November 2005.

Outline of Medium-term Management Plan

1. Company-wide Strategies

We concluded that the major reason for the deterioration of profitability was that Sanyo's business portfolio was excessively dispersed. Therefore, as a company-wide strategy we reviewed our total business portfolio and categorized Sanyo's businesses into core businesses and businesses requiring structural reform. During this process, we reviewed our businesses from the following perspectives: which businesses were essential to realizing our new corporate vision "Think GAIA," and which areas were of high business value in terms of growth potential, profitability, position, globalization and core competence.

(1) Selection of core businesses

Sanyo selected "Power Solutions business", "HVAC (Heating, Ventilating and Air Conditioning) products & Commercial Equipment business", and "Personal Mobile Device business" as its three core businesses because they are indispensable for realizing the new vision "Think GAIA", they have core products that hold top market share, they have potential for global growth, and they have core competence, however, Sanyo decided to place much stress on these businesses and focus on these.

(2) Selection of businesses requiring structural reforms

Sanyo selected Semiconductor business, AV equipment business, Home Appliance business, and Financial services business as businesses requiring structural reforms. Their selection was based on the judgment that if the present situation continues, they will be burdens on financial statements and pose risk of impeding the growth of other businesses; urgent measures should therefore be taken, premised on continuing these businesses. For these businesses, we have decided to act promptly. Specifically, we will reform the respective business processes, including manufacturing and sales, make decisions to downsize or withdraw from these businesses, and eliminate and consolidate production/sales bases and improve or eliminate products through the selection and focus strategy.

2. Business Strategies

Core businesses

①Power Solutions business
Focusing on the rechargeable battery business, which is a source of Sanyo's earnings, we also promote businesses involving rechargeable batteries for hybrid electric vehicles (HEVs) and their control systems, and car electronics products, including car navigation systems. Sanyo will advance this growth strategy in the Energy Program, to realize the "Think GAIA" vision with a view toward future entry into the fields of automotive IT/security and the environment.

②HVAC products & Commercial Equipment business
This business covers HVAC (Heating, Ventilating and Air Conditioning) products for industrial use, photovoltaic power generation systems, compressors, biomedical equipment, and medical information systems. The aim of this business is to achieve the goals of the Environment Program, so as to realize the "Think GAIA" vision. In this business, Sanyo emphasizes energy-saving and other performances, service systems, careful response to each customer and aspects of product reliability, such as durability.

The aim of our future growth strategy is to accelerate overseas business operations focusing on China, Europe and other markets that have potential for growth in this field, by integrating our technological, manufacturing, sales and service efforts. Sanyo will also expand the service business, centering on products that hold large market shares. Furthermore, we will cultivate markets, taking advantage of its technologies related to two-stage CO_2 compressors, inverters and HIT solar cells, in all of which products Sanyo has competitive superiority.

③Personal Mobile Device business
This core business covers finished products, including mobile phones and digital cameras, as well as electronic components such as capacitors and motors. The intent is to achieve the goals of the Lifestyle Program, so as to realize the "Think GAIA" vision.

Our mobile phones and digital cameras, and common parts, such as semiconductors, batteries, displays, image sensors and other electronic components, will produce synergy effects in terms of fundamental technologies, designs, and purchasing, so as to help accelerate the development of new products and cost reduction.

Businesses requiring structural reforms

①Semiconductor business
Heavy investment burden poses a challenge to the semiconductor business. Sanyo stays out of the power game with other competitors and focuses on the development of semiconductors for AV application and power management application in which Sanyo excels, so as to turn the business into a profitable business model.

②AV equipment business centering on TV business
As to TV business overseas, we will reorganize overseas production bases and restructure the sales system. In Japan, we will review part of the business transaction flow. Through identification of unprofitable models, domestic sales reforms and cost structure reforms, we will ensure profit increase.

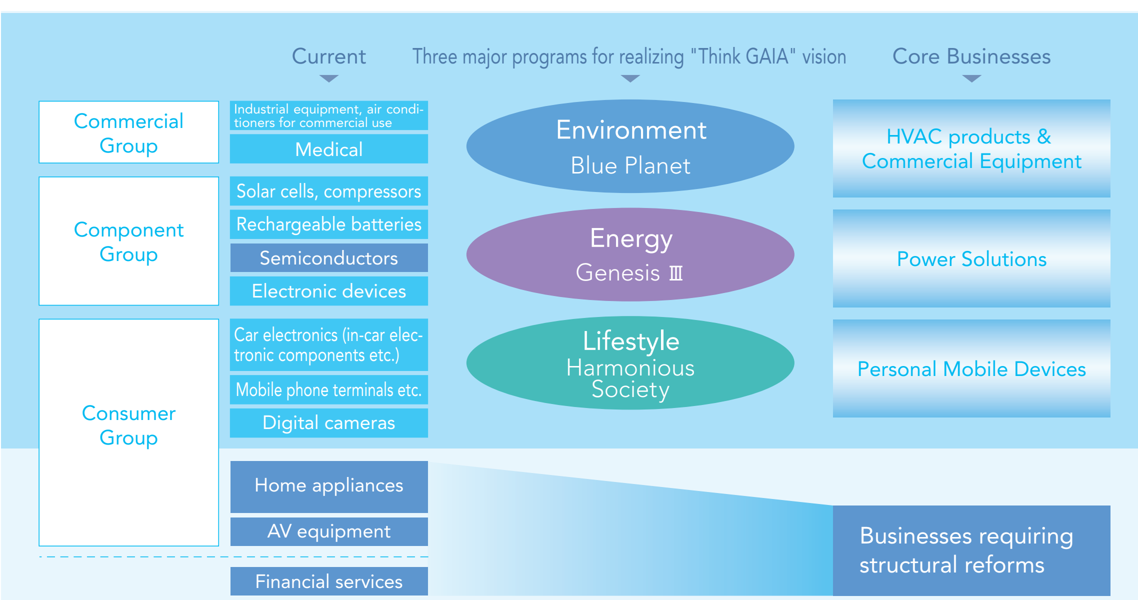
③Home Appliance business
As to home appliance sales in Japan, sales expenses are increasing since distributors are in a strong position as regards pricing, and we have a surplus of sales and service personnel. To address these problems, henceforth we will drastically reorganize the sales and production systems, both at home and abroad, decrease the number of product models and take measures to improve cost competitiveness.

④Financial services business
By establishing alliances with major partners, Sanyo aims to strengthen its financial standing and promote the autonomy of its financial services business as an independent division.

3. Growth Strategies
Sanyo will sharpen its competitive edge by concentrating capital investment and R&D resources on its core businesses, reinforcing function capabilities through cross-functional reviews, and making use of alliances with partners.

4. Cost Structure Reforms and Functional Reinforcement
In the past, Sanyo's mechanisms for material purchase and distribution were dispersed to each business. We reviewed these mechanisms and, on the basis of review results, are promoting the reinforcement of function capabilities and cost reduction in terms of material purchasing, logistics, quality, service, inventory control, IT and manufacturing technology. We are also making cost structure reforms through personnel reduction and relocation. Further, we are reinforcing the brand marketing function and the headquarters'function by outsourcing personnel functions and newly establishing a global headquarters.

5. Strengthening Financial Standing
We will reduce interest-bearing debt by ¥600.0 billion, in comparison to that at the end of March 2005, through various measures, including sale of real property and stocks we hold, reduction of excess cash, and off-balance-sheet treatment of operations. At the same time, efforts will be made to recover our business performance and increase stockholders' equity, thereby improving our financial standing.



Medium-term Management Plan Targets (Announced on November 18, 2005)

Numerical Targets (Estimates as of November 18, 2005)

For the fiscal year ended or ending March 31 (100 million yen)

	2006	2007	2008
Net sales	24,400	24,900	26,400
Operating (loss) income Note 2	(170)	750	970
(Loss) income before income taxes	(2,020)	470	750
Net (loss) income	(2,330)	295	620

Notes:
1. Numerical targets have been formulated based on conditions as of November 18, 2005, not considering possible impact of subsequently announced alliances with other companies.
2. For details of operating (loss) income, see Note (b), page 3.

●Personnel reductions
By the end of March 2008 we will cut back about 14,000 employees, equivalent to 15% of our workforce as of March 31, 2005.

●Sale of fixed assets and other assets
We plan to attain cash inflow of ¥37.0 billion by March 31, 2006 and ¥55.0 billion by March 31, 2008, by selling or liquidating real property. We also plan to realize cash inflow of ¥50.0 billion by March 31, 2006 and ¥72.0 billion by March 31, 2007, by selling stocks we hold.

●Reduction in interest-bearing debt
Interest-bearing debt will be cut by ¥600.0 billion from the end of March 2005 by March 31, 2008.

Progress in Medium-term Management Plan

●Fiscal year ended March 31, 2006
In the fiscal year ended March 31, 2006, the first year of our Medium-term Management Plan, we launched our drastic structural reform programs, placing particular emphasis on "slimming down" during the period. With regard to the numerical targets set in the plan, consolidated net sales fell slightly below our target, while net loss was as expected, as the planned level of structural reform-related expenses were booked.

For the fiscal year ended March 31 (100 million yen)

	2006 plan	2006 results
Net sales	24,400	23,970
Operating (loss)	(170)	(172)
(Loss) before income taxes and minority interests from continuing operations	(2,020)	(1,657)
Net (loss)	(2,330)	(2,057)

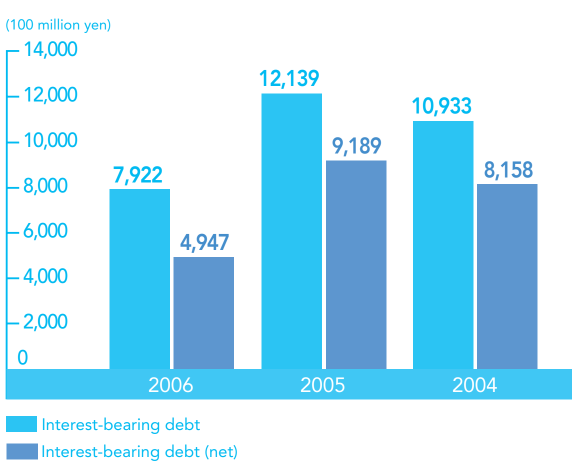
We will continue our steady efforts to improve our business performance, aiming at moving into the black in the fiscal year ending March 31, 2007, and eventually entering a new growth stage in the fiscal year ending March 31, 2008.

●Personnel reductions
We reduced about 14,000 employees by March 31, 2006, attaining our target earlier than planned.

●Sale of fixed assets and other assets
We sold ¥42.0 billion (US$359 million) in fixed assets in the fiscal year under review, compared with ¥37.0 billion according to our plan, including the sites of the former Fukiage and Ashikaga plants and about 60 sales offices nationwide. Meanwhile, ¥87.2 billion (US$745 million) in holding stocks was sold, exceeding our target of ¥50.0 billion.

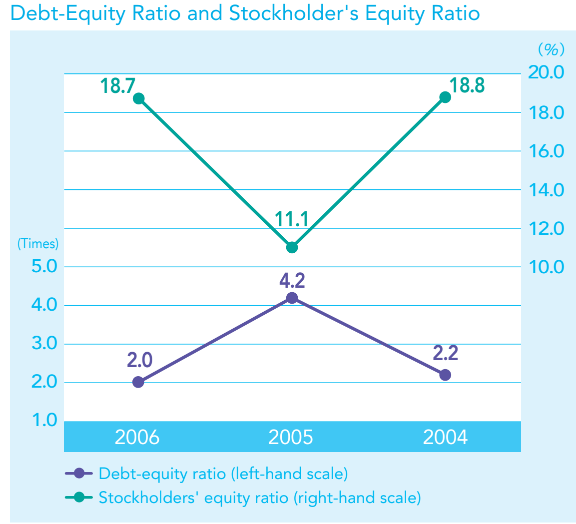
●Reduction in interest-bearing debt
Interest-bearing debt decreased by about ¥420.0 billion, a pace exceeding our plan, through such measures as deconsolidating SANYO Electric Credit Co., Ltd. from the consolidated financial statements (Sanyo having sold a portion of its stockholdings in SANYO Electric Credit Co., Ltd.) and slimming down assets.

Reduction in interest-bearing debt



The fiscal year ended March 31

Debt-Equity Ratio and Stockholder's Equity Ratio



●Progress in structural reforms

The following list details the progress announced in July 2005 and onward, regarding our structural reforms. The progress achieved in business portfolio reforms is summarized on the next page.

＜Progress in structural reforms＞

2005 July

- New management system for "the third founding" started
  New corporate vision "Think GAIA" announced
  "SANYO EVOLUTION PROJECT" launched
- Merger with SANYO Electric Biomedical Co., Ltd., a consolidated subsidiary dealing with medical and related equipment, announced (merger completed in October)
- Merger with SANYO Air-conditioners Corporation, a consolidated subsidiary dealing in small air conditioners for home use, announced (merger completed in October)

September

- "Program α" aimed at accelerating downsizing announced
  Plan for accelerated personnel reduction announced
- Termination of DVD player (except portable ones), DVD recorder and VCR businesses announced

October

- Merger with SANYO Technosound Co., Ltd., a consolidated subsidiary dealing with AV equipment for home use, announced (merger completed in January 2006)

November

- "Think GAIA" product "eneloop" released
- Medium-term Management Plan announced

December

- Part of the Company's stockholdings in SANYO Electric Credit Co., Ltd. transferred to affiliates of Goldman Sachs Group.
- Basic agreement reached with an Asian electronics manufacturer on forming a strategic alliance regarding its TV business
- Basic agreement reached for issuance of preferred stocks to third parties
- Announcements made in regard to outsourcing human resource development and payroll accounting functions to IBM Japan Co., Ltd. and outsourcing building maintenance functions to Jones Lang LaSalle Inc.

2006 January

- "Think GAIA" product "Xacti DMX-HD1," a high-definition digital movie camera, released
- Basic agreement reached on transferring a portion of the Company-owned stocks of SANYO MAVIC MEDIA Co., Ltd. to BMB Corp. (Transfer completed in April)
- "Think GAIA" product, an air purifying system for commercial use, equipped with the "Virus Washer" system, released
- Basic agreement reached with German automaker VOLKSWAGEN AG to start co-development of next generation nickel-metal-hydride battery systems for hybrid electric vehicles (HEVs)
- Final agreement concluded to increase capital by ¥300 billion through issuance of preferred stocks to third parties.
- Termination of OLED business announced
- Basic agreement reached with Recruit Co.Ltd. to transfer 90% of the Company's stocks of SANYO Human Network Co., Ltd. (Transfer completed in March)
- Merger with SANYO C&C Co., Ltd., a compressor sales subsidiary, announced (Merger completed in April)

February

- "Think GAIA" product "AQUA," a drum type washer/dryer with air wash function, released
- Closure of Tudela plant of SANYO ESPANA, S.A., a European production base for color TV sets, announced
- Basic agreement reached with Nokia Corp. in Finland to establish a new company of CDMA mobile phone business
- Resolution adopted at an extraordinary meeting of stockholders to increase capital through issuance of convertible preferred stocks to third parties in March

March

- Agreement reached with Toemi Media Solutions, Limited on transferring the optical disc business owned by SANYO MAVIC MEDIA Co., Ltd. to Toemi (Transfer completed in April)
- Payment of ¥300 billion completed through issuance of convertible preferred stocks to third parties
- Four logistics facilities in Japan transferred to Prologis, the U.S.
- Basic agreement reached with Quanta Computer Inc. in Taiwan on establishing a corporate joint venture for flat-panel televisions
- "Think GAIA" product "GORILLA," a portable HDD navigation system with built-in TV tuner for one-segment digital terrestrial TV broadcasting, released
- Decision to spin off the semiconductor business into a separate company announced

June

- Negotiations with Nokia Corp. terminated; plan for establishing a new CDMA mobile phone business joint venture therefore shelved
- Dissolution of SANYO Adnet Corporation, consolidated subsidiary conducting PR and advertising services, announced
- Dissolution of SANYO Car Services Co., Ltd., consolidated subsidiary engaged in car maintenance services, announced

Business Portfolio Reforms

(1) Semiconductor business

We have strength in the power management and mixed signal areas using analog technology as the core competency, and have striven to establish business models that enable us to improve capital efficiency by actively working on reduction in total assets and effective use of human resources. To ensure immediate business recovery for our semiconductor business in the present market environment, and its growth in the future, it is essential to establish an agile management structure that can cope immediately with severe environmental changes, as well as a financial base with flexible access to capital markets.

Under such circumstances, we have decided to spin off the semiconductor business into a separate company as of July 1, 2006, in order to enhance its competitiveness as an independent entity. The spin-off company to be newly established will work to establish development, sales and marketing structures so as to strengthen relations with customers, based on its independent fund-raising ability and the firm financial base supporting that ability.

(2) TV business

In February 2006, the Company announced closure of the Tudela plant of SANYO ESPANA, S.A., one of our production bases for color TV sets in Europe.

In March 2006, the Company concluded a basic agreement with Quanta Computer Inc. in Taiwan to establish a corporate joint venture for flat-panel televisions.

We have entered discussions to ensure that the new joint venture will leverage the strengths of both companies. The plan is for the joint venture to take over Sanyo's R&D teams and manufacturing sites, and to maintain access to Sanyo's global sales and service network. In the plan, the joint venture will also continue taking full advantage of Quanta's efficient manufacturing base in China, and its well-developed and integrated supply chain. In addition, the new joint venture will benefit from increased economies of scale, standardized product platforms and shared know-how from both companies. As a result, the new entity will be optimally positioned to supply high-quality products at competitive prices to TV vendors and consumers worldwide.

(3) Financial services business

In December 2005 we transferred part of our stockholdings in SANYO Electric Credit Co., Ltd. to wholly owned subsidiaries of the Goldman Sachs Group, Inc., as part of our efforts to realign and reorganize our operations through selection and focusing of operations in our business portfolio, as well as to improve our financial standing.

SANYO Electric Credit Co., Ltd. has engaged in a wide range of operations, including leasing of industrial equipment, household appliances and other products, installment sales, lending and other financial services, as a core subsidiary of our financial services business. As a result of this sale, our stockholdings in the company fell to 19.1%. After SANYO Electric Credit Co., Ltd.'s capital increase to third parties, the Company's interest in SANYO Electric Credit Co., Ltd. dropped further, to 16.7%.

Accordingly, SANYO Electric Credit Co., Ltd. was deconsolidated from our consolidated financial statement, with its operations reported as discontinued operations in our financial statements for the fiscal year ended March 31, 2006.

(4) Other

To further concentrate its strengths on the core businesses, the Company terminated its DVD player (except portable ones), DVD recorder and VCR businesses by merging SANYO Technosound Co., Ltd. in January 2006. The Company also decided to terminate its OLED business and liquidate SK Display Co., Ltd. in January 2006. In April 2006, when the Company transferred its stocks of SANYO MAVIC MEDIA Co., Ltd., we withdrew from the online karaoke and optical disk businesses.

Regarding the personal mobile device business, which is one of Sanyo's core businesses, in February 2006 Sanyo entered into negotiations with Nokia Corp. in Finland with the intent of forming a new global joint venture in the CDMA mobile phone business. In June 2006, however, both companies decided to shelve the plan for establishing the joint venture, and ceased negotiations. There are no modifications to be made to Medium-term Management Plan and other schemes for the fiscal year ending March 2007.

Capital increase through issuance of preferred stocks to third parties

To ensure realization of the goals in Medium-term Management Plan and reconstruct our base for sustainable operations, we were in urgent need of strengthening our financial standing by building up stockholders'equity and reducing interest-bearing debt. Furthermore, it was necessary for us to procure funds for capital investment and research and development focusing on core businesses to implement our growth strategies, as well as financial resources for accelerating our structural reforms.

To that end, we planned to increase capital by ¥300.0billion (US$2,564million) within the fiscal year ending March 2006. After the resolution of an extraordinary meeting of stockholders held on February 24, 2006, we implemented capital increase through issuance of preferred stocks to third parties on March 14th.

Stock allocated to	Evolution Investments Co., Ltd.	Oceans Holdings Co., Ltd.	Sumitomo Mitsui Banking Corporation	Total
Series1 Class A Preferred Stock	89,804,900 shares	89,804,900 shares	2,932,400 shares	182,542,200 shares
Series1 Class B Preferred Stock	88,766,600 shares	88,766,600 shares	68,496,100 shares	246,029,300 shares
Total	178,571,500 shares	178,571,500 shares	71,428,500 shares	428,571,500 shares
Issuing price	¥700 per share for both Class A and B Stock			
Conversion conditions	Each Preferred Stock can be converted into 10 common stock.			
Conversion limits	There are restrictions on conversion of Class A Stock into common stock until March 13, 2007. Class B Stock can be converted into common stock immediately.			
Voting rights	Class A Stock have voting rights, while Class B Stock have no voting rights.			

※Evolution Investments Co., Ltd. is a wholly owned subsidiary of Daiwa Securities SMBC Principal Investments, Co. Ltd.

※Oceans Holdings Co., Ltd. is an affiliated company of The Goldman Sachs Group Inc.

SANYO's HISTORY

Calendar Year	Events	Presidents
1947	SANYO Electric Works founded	Toshio Iue
	Bicycle generator lamp produced at Hojo Plant, Hyogo Prefecture	(Feb.1947-Jan.1968)
1950	Sanyo Electric Co., Ltd. established	
1952	Japan's first plastic radio made, marking the Company entrance to home electric appliances market	
1953	Japan's first pulsator-type washing machines introduced	
1954	Sanyo Electric Co., Ltd. stock listed on Tokyo Stock Exchange and Osaka Securities Exchange	
1959	Tokyo SANYO Electric Co., Ltd. established	
1960	Sanyo Electric Trading Co., Ltd. established (Present SANYO Sales & Marketing Corporation)	
1961	R&D Center established	
	Nickel-cadmium battery "CADNICA" developed; production commenced in 1964	
1963	Tokyo SANYO Electric stock listed on Tokyo Stock Exchange and Osaka Securities Exchange	
1965	Color TVs overcome cost hurdle of ¥10,000 per inch for the first time in industry	
1966	TOTTORI SANYO Electric Co., Ltd. established	
1969	SANYO Electric Credit Co., Ltd. established	Yuro Iue
	SANYO retail chain (called SBC) established, strengthening Company marketing network	(Jan.1968-Jan.1971)
1975	World's first lithium (manganese dioxide lithium) batteries developed; mass production commenced in 1978	Kaoru Iue
1979	World's first amorphous silicon batteries developed; production commenced in 1982	(Jan.1971-Feb.1986)
1986	Sanyo Electric Co., Ltd. and Tokyo SANYO Electric Co., Ltd. merged	Satoshi Iue
	Eight-business segment management system introduced	(Feb.1986-Nov.1992)
1990	Mass production sales of nickel hydride batteries "TWICELL" commenced	
1991	World's first HIT solar cell developed	
1992	First solar power generation system developed for home-use in Japan	Yasuaki Takano
1994	The Company entered mobile phone business	(Dec.1992-Jun.1998)
	Mass production of cylindrical lithium-ion batteries commenced	
1995	The Company entered digital camera business	
1996	Fiscal year-end changed from November to March	Sadao Kondo
1999	In-house company management system introduced, with eight business segments reorganized into five companies	(Jun.1998-Oct.2000)
	SANYO Electric Credit Co., Ltd. stock listed on First Sections of Tokyo Stock Exchange and Osaka Securities Exchange	
2001	Agreement reached with Ford Motor Company for exclusive supply of battery systems for Ford hybrid electric vehicles	Yukinori Kuwano
	Nickel-metal-hydride battery business acquired from Toshiba Group	(Nov.2000-Jun.2005)
2002	Comprehensive agreement reached with Haier Group Company for wide-ranging collaboration	
	Electric vending machine business sold to Fuji Electric Co., Ltd.	
2003	Business Group system and Business Unit system initiated	
2004	Strategic Partnership established with Carrier Corporation for distribution of absorption chillers; sales commenced in Europe and Americas	
	LCD business merged with Seiko Epson Corporation, to form joint venture	
	Niigata Chuetsu Earthquake struck NIIGATA SANYO ELECTRONIC Co., Ltd. (present SANYO Semiconductor Manufacturing Co., Ltd.), seriously affecting semiconductor production lines	
2005	Implemented organizational reform, with five Business Groups reorganized into eight Business Groups	Toshimasa Iue
	New corporate vision "Think GAIA" announced, and SANYO EVOLUTION PROJECT, a three-year reform project, commenced	(Jun.2005-)
	SANYO Electric Logistics Co., Ltd. listed on Jasdaq Securities Exchange	
	Medium-term Management Plan announced	
	Part of the Company's stockholdings in SANYO Electric Credit Co., Ltd. transferred to affiliates of Goldman Sachs Group.	
2006	Capital increase by ¥300 billion through issuance of preferred stocks to third parties	
	Decision to spin off semiconductor business into separate company announced	

Selected Financial Data

SANYO Electric Co., Ltd. and Subsidiaries As of and for the years ended March 31, 2006, 2005, 2004, 2003, and 2002

	Millions of Yen					Thousands of U.S. Dollars (Note a)
	2006	2005	2004	2003	2002	**2006**
For the year:						
Net sales	**¥2,397,026**	¥ 2,484,639	¥2,508,018	¥ 2,182,553	¥ 2,024,719	**$20,487,402**
Operating (loss) income (Note b and c)	**(17,154)**	35,236	87,113	57,963	35,136	**(146,615)**
(Loss) income before income taxes and minority interests from continuing operations (Note c)	**(165,696)**	(68,767)	41,523	(80,072)	(13,390)	**(1,416,205)**
Net (loss) income from continuing operations (Note c)	**(200,330)**	(172,906)	12,262	(63,692)	(2,661)	**(1,712,222)**
Net (loss) income from discontinued operations (Note c)	**(5,331)**	1,362	1,138	2,021	3,976	**(45,564)**
Net (loss) income	**(205,661)**	(171,544)	13,400	(61,671)	1,315	**(1,757,786)**
Capital expenditure	**73,104**	100,740	110,172	97,289	101,962	**624,821**
Depreciation and amortization	**128,042**	121,627	113,451	124,450	124,788	**1,094,376**
At the year-end:						
Total stockholders' equity	**¥ 402,892**	¥ 288,268	¥ 497,302	¥ 426,026	¥ 535,705	**$ 3,443,521**
Total assets	**2,154,837**	2,600,677	2,643,627	2,686,967	2,683,930	**18,417,410**
Per share (Yen and U.S. dollars) (Note c and d):						
Net (loss) income:						
Basic						
Net (loss) income from continuing operations	**¥ (192.4)**	¥ (93.2)	¥ 6.6	¥ (34.2)	¥ (1.4)	**$ (1.64)**
Net (loss) income from discontinued operations	**(2.6)**	0.7	0.6	1.1	2.1	**(0.02)**
Net (loss) income	**(195.0)**	(92.5)	7.2	(33.1)	0.7	**(1.66)**
Diluted						
Net (loss) income from continuing operations	**¥ (192.4)**	¥ (93.2)	¥ 6.6	¥ (34.2)	¥ (1.4)	**$ (1.64)**
Net (loss) income from discontinued operations	**(2.6)**	0.7	0.6	1.1	2.1	**(0.02)**
Net (loss) income	**(195.0)**	(92.5)	7.2	(33.1)	0.7	**(1.66)**
Cash dividends declared	**—**	3.0	6.0	6.0	6.0	**—**
Per American Depositary Share (Yen and U.S. dollars) (Note c, d and e):						
Net (loss) income						
Basic						
Net (loss) income from continuing operations	**¥ (961.9)**	¥ (466.2)	¥ 33.0	¥ (170.9)	¥ (7.1)	**$ (8.22)**
Net (loss) income from discontinued operations	**(12.9)**	3.7	3.0	5.4	10.6	**(0.11)**
Net (loss) income	**(974.8)**	(462.5)	36.0	(165.5)	3.5	**(8.33)**
Diluted						
Net (loss) income from continuing operations	**¥ (961.9)**	¥ (466.2)	¥ 33.0	¥ (170.9)	¥ (7.1)	**$ (8.22)**
Net (loss) income from discontinued operations	**(12.9)**	3.7	3.0	5.4	10.6	**(0.11)**
Net (loss) income	**(974.8)**	(462.5)	36.0	(165.5)	3.5	**(8.33)**
Cash dividends declared	**—**	15.0	30.0	30.0	30.0	**—**
Weighted average number of shares (thousands) (Note d)	**1,854,591**	1,854,947	1,855,193	1,863,198	1,870,510	
Sales by product category :						
Consumer	**¥1,146,765**	¥ 1,228,169	¥1,235,965	¥ 1,027,804	¥ 975,150	**$ 9,801,410**
Commercial	**234,962**	212,842	197,978	199,697	233,225	**2,008,222**
Component	**911,750**	946,433	985,324	858,867	756,041	**7,792,735**
Others	**103,549**	97,195	88,751	96,185	60,303	**885,035**
Net sales	**¥2,397,026**	¥ 2,484,639	¥2,508,018	¥ 2,182,553	¥ 2,024,719	**$20,487,402**
Sales by area:						
Japan	**¥1,162,390**	¥ 1,259,494	¥1,266,876	¥ 1,123,543	¥ 1,095,611	**$ 9,934,957**
Asia	**620,219**	634,778	668,610	549,785	430,243	**5,301,017**
North America	**360,928**	333,275	335,139	294,206	302,884	**3,084,855**
Europe	**185,062**	181,612	186,469	167,783	156,075	**1,581,726**
Others	**68,427**	75,480	50,924	47,236	39,906	**584,847**
Net sales	**¥2,397,026**	¥ 2,484,639	¥2,508,018	¥ 2,182,553	¥ 2,024,719	**$20,487,402**
Other information:						
Price range of common stock (Tokyo Stock Exchange; Yen and U.S. dollars):						
High	**¥ 363**	¥ 545	¥ 614	¥ 633	¥ 847	**$ 3.10**
Low	**237**	330	326	264	418	**2.03**
Number of employees (at the year-end)	**106,389**	96,023	82,337	79,025	80,500	

Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥117 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2006. See Note 3 of Notes to Consolidated Financial Statements.
(b) To be consistent with financial reporting principles and practices generally accepted in Japan, operating (loss) income is calculated as net sales and operating revenue less cost of sales and selling, general and administrative expenses. The Company considers showing operating (loss) income convenient for investors to compare Sanyo's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges-for example, restructuring and impairment charges and abnormal product warranty costs would be included in the determination of operating (loss) income in the consolidated statements of income.
(c) Due to the sale of SANYO Electric Credit Co., Ltd.' on December 27, 2005, Sanyo shows its business results and profit or loss on sale independently as discontinued operations. Prior period results have been reclassified to conform to the 2006 presentation.
(d) See Notes 3 and 23 of Notes to Consolidated Financial Statements.
(e) One American Depositary Share represents five shares of common stock.

Management's Discussion and Analysis of Financial Conditions and Results of Operations

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2006 and 2005

Analysis of Major Factors Affecting Performance

OVERVIEW

During the fiscal year under review, the Japanese economy followed a recovery trend as capital investment increased on the strength of improving corporate profits and personal consumption picked up, though there were destabilizing factors, such as a surge in crude oil prices. The world economy also maintained a steady tone, reflecting the growing Chinese and other Asian economies and strong performance in the U.S.

Meanwhile, SANYO Electric Co., Ltd. and its consolidated subsidiaries (hereinafter collectively referred to as "Sanyo") continued to operate in a severe business environment with the needs of consumers becoming increasingly diverse, product life cycles shortening, and further price competition in digital products and other product areas.

In order to overcome this difficult situation, in July 2005 Sanyo announced its new vision, of transforming Sanyo into a company that delights the Earth and life, "Think GAIA." At the same time, it started the "SANYO EVOLUTION PROJECT". The mainstays of this three-year structural reform project are as follows:

- Business portfolio reforms aimed at valuable growth
- Corporate culture, organization and business process reforms
- Financial conditions' improvement

In November 2005, Sanyo finalized its Medium-term Management Plan (fiscal 2005 - 2007) based on "SANYO EVOLUTION PROJECT". Sanyo aims to be "a leading provider of environmental- and energy-related products and services", focusing its management resources on the following three business sectors:

- Power Solutions business
- HVAC (Heating, Ventilating and Air Conditioning) products and Commercial Equipment business
- Personal Mobile Devices business

Sanyo worked actively to realize growth and expansion in these core business areas. The Company and VOLKSWAGEN AG agree to jointly develop to start co-development of next generation nickel metal hydride battery systems for hybrid electric vehicles (HEVs).

In the fiscal year under review, sales increased in mobile phones for North America, in lithium-ion batteries for mobile equipment, and in solar cells, which sold well in the European markets as well as in Japan. On the other hand, such products as mobile phones for the domestic market, televisions and optical pickups, saw declining sales, influenced by intensifying competition. In addition, semiconductor businesses' sales continued to decline as new product development was delayed in the aftermath of the Niigata Chuetsu Earthquake in 2004. As a result, net sales for the fiscal year under review dropped 3.5% from the previous year, to ¥2,397.0 billion (US$20,487 million). Meanwhile, other operating revenue rose 13.7% from the previous fiscal year, to ¥87.3 billion (US$746 million) mainly due to an increase in commissions on subscription fees for mobile phones.

On the profit front, sales declines and inventory revaluation in line with progress in Sanyo's structural reform brought about operating loss(*) of ¥17.2 billion (US$147 million). Furthermore, ¥84.9 billion (US$726 million) in expenses for structural reform programs and ¥71.3 billion (US$610 million) in impairment loss on fixed assets were recorded. As a result, loss before income taxes and minority interests from continuing operations, excluding results of discontinued operations in the fiscal year under review, amounted to ¥165.7 billion (US$1,416 million), while net loss came to ¥205.7 billion (US$1,758 million) . Free cash flow (net cash from operating activities plus net cash from investing activities) dramatically improved from the previous year, to net cash inflow of ¥35.3 billion (US$302 million), due to a ¥99.8 billion (US$853 million) sale of available-for-sale securities .

(*)To be consistent with financial reporting principles generally accepted in Japan, operating (loss) income is calculated as net sales and operating revenue less cost of sales and selling, general and administrative expenses. Sanyo considers showing operating (loss) income convenient for investors to compare Sanyo's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges for example, restructuring and impairment charges and abnormal product warranty costs are included as part of operating (loss) income in the consolidated statements of operations.

NOTES IN THE FISCAL YEAR UNDER REVIEW

1. Sale of shares in SANYO Electric Credit Co., Ltd.

On December 9, 2005, the Company and Rivulet Co., Ltd. ("Rivulet") reached an agreement that the Company would sell to Rivulet a portion of its stockholding in SANYO Electric Credit Co., Ltd. ("SECR"), its consolidated subsidiary (on December 20, 2005, an agreement was reached that half of the shares to be transferred would be sold to Mars Equity Co., Ltd. ("Mars Equity"). Both Rivulet and Mars Equity are wholly owned subsidiaries of The Goldman Sachs Group, Inc.). On December 27, 2005, the Company sold a 33.23% interest in SECR for cash of ¥22.4 billion (US$192 million). Our remaining interest in SECR is 19.13%. As a result of the sale, SECR is no longer consolidated, rather is accounted for as an available-for-sale security in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." We recognized a loss on the sale of ¥0.6 billion (US$5 million). For this reason, in its consolidated statements of operations, operating results and gain on the sale of SECR are presented separately as discontinued operations, in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets." The prior year's figures in the consolidated statements of operations and segment information have been reclassified to conform with the current year's presentation.

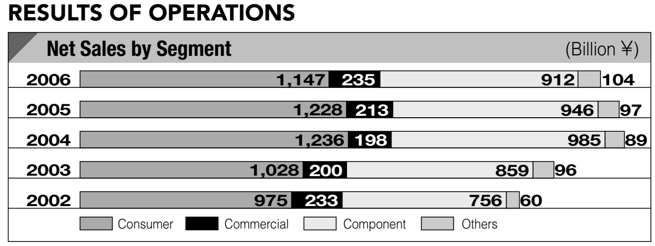
2. Capital increase through issuance of preferred stocks

After obtaining approval at an extraordinary meeting of stockholders on February 24, 2006, the Company increased capital by ¥300 billion (US$2,564 million) through issuance of preferred stocks to third parties on March 14, 2006. The objectives of this capital increase were to strengthen Sanyo's financial standing and restore its credibility, thereby attaining Medium-term Management Plan (See Note 20 to the consolidated financial statements.)

IMPACT OF EXCHANGE RATE FLUCTUATIONS

If the principal foreign currency denominated transactions were converted using the exchange rate applied for the previous fiscal year, net sales and operating revenue would increase ¥34.8 billion (US$298 million), while operating income would be up ¥0.3 billion (US$3 million). These calculations are based on foreign currency-denominated amounts in net sales; operating revenue; cost of sales, selling, general and administrative expenses converted at the average exchange rate on the Tokyo foreign exchange market for the previous fiscal year.

RESULTS OF OPERATIONS



Net Sales and Operating Revenue

Net sales for the fiscal year under review dropped 3.5% from the previous year to ¥2,397.0 billion (US$20,487 million), while other operating revenue including the revenue from participation commission of mobile phone amounted to ¥87.3 billion (US$746 million), a sharp rise of 13.7%.

Business Segments (Unaudited)

	2006							
	Billions of Yen							
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	impairment	Capital Expenditure
	External	Intersegment	Total					
Consumer	¥1,146.5	¥ 7.9	¥1,154.4	¥ (9.9)	¥ 615.0	¥ 36.9	¥ 24.5	¥ 21.7
Commercial	233.0	3.3	236.3	7.5	167.5	5.7	—	3.3
Component	912.4	36.0	948.4	11.6	896.8	77.9	64.9	41.8
Others	192.4	6.5	198.9	6.7	120.6	3.2	1.9	2.0
Sub-total	2,484.3	53.7	2,538.0	15.9	1,799.9	123.7	91.3	68.8
Corporate and eliminations	—	(53.7)	(53.7)	(33.1)	354.9	4.3	11.3	4.3
Total	¥2,484.3	¥ —	¥2,484.3	¥ (17.2)	¥2,154.8	¥ 128.0	¥ 102.6	¥ 73.1
	Millions of U.S. Dollars							
Consumer	$ 9,799	$ 67	$ 9,866	$ (84)	$ 5,256	$ 315	$ 209	$ 186
Commercial	1,992	28	2,020	64	1,432	49	—	28
Component	7,798	308	8,106	99	7,665	666	555	357
Others	1,644	56	1,700	57	1,031	27	16	17
Sub-total	21,233	459	21,692	136	15,384	1,057	780	588
Corporate and eliminations	—	(459)	(459)	(283)	3,033	37	97	37
Total	$ 21,233	$ —	$ 21,233	$ (147)	$ 18,417	$ 1,094	$ 877	$ 625

	2005							
	Billions of Yen							
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	impairment	Capital Expenditure
	External	Intersegment	Total					
Consumer	¥ 1,228.2	¥ 20.1	¥ 1,248.3	¥ 28.9	¥ 588.3	¥ 33.1	¥ 5.7	¥ 27.6
Commercial	212.8	3.3	216.1	6.2	130.3	4.9	—	3.6
Component	946.4	38.0	984.4	18.2	902.2	76.7	1.1	60.5
Others	174.0	9.7	183.7	5.4	669.8	3.0	—	1.6
Sub-total	2,561.4	71.1	2,632.5	58.7	2,290.6	117.7	6.8	93.3
Corporate and eliminations	—	(71.1)	(71.1)	(23.5)	310.1	3.9	7.3	7.4
Total	¥ 2,561.4	¥ —	¥ 2,561.4	¥ 35.2	¥ 2,600.7	¥ 121.6	¥ 14.1	¥ 100.7

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥117 = US$1, the approximate Tokyo foreign exchange market rate as of March 31,2006.

Geographic Segments (Unaudited)

	2006				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	¥ 1,459.4	¥ 695.6	¥ 2,155.0	¥ 11.6	¥ 1,347.6
Asia	503.4	565.5	1,068.9	1.6	440.4
North America	352.3	4.0	356.3	7.3	143.2
Others	169.2	1.7	170.9	(4.8)	61.5
Sub-total	2,484.3	1,266.8	3,751.1	15.7	1,992.7
Corporate and eliminations	—	(1,266.8)	(1,266.8)	(32.9)	162.1
Total	¥ 2,484.3	¥ —	¥ 2,484.3	¥ (17.2)	¥ 2,154.8
	Millions of U.S. Dollars				
Japan	$ 12,473	$ 5,945	$ 18,418	$ 99	$ 11,518
Asia	4,303	4,833	9,136	14	3,764
North America	3,011	34	3,045	62	1,224
Others	1,446	15	1,461	(41)	526
Sub-total	21,233	10,827	32,060	134	17,032
Corporate and eliminations	—	(10,827)	(10,827)	(281)	1,385
Total	$ 21,233	$ —	$ 21,233	$ (147)	$ 18,417

	2005				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	¥ 1,647.6	¥ 636.7	¥ 2,284.3	¥ 34.2	¥ 1,790.4
Asia	446.5	534.2	980.7	17.1	418.1
North America	320.2	3.3	323.5	5.6	133.0
Others	147.1	0.4	147.5	1.1	71.1
Sub-total	2,561.4	1,174.6	3,736.0	58.0	2,412.6
Corporate and eliminations	—	(1,174.6)	(1,174.6)	(22.8)	188.1
Total	¥ 2,561.4	¥ —	¥ 2,561.4	¥ 35.2	¥ 2,600.7

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥117 = US$1, the approximate Tokyo foreign exchange market rate as of March 31,2006.

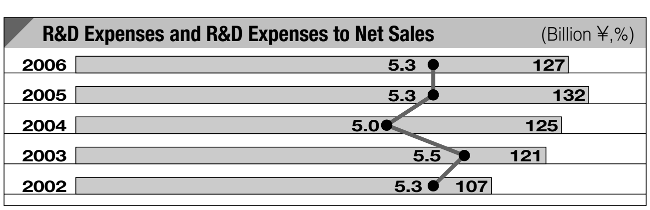
By business segment, in the Consumer business segment, although sales of air conditioners and washing machines were sluggish, sales of home appliances overall increased in reflection of growing sales of refrigerators - which sold well overseas - and other products. Meanwhile, in the sub segment of AV information and communication equipment, sales increased in mobile phones for overseas markets, orders for which continued to be brisk, mainly in North America, and sales of car navigation system called "GORILLA" increased. On the other hand, mobile phones for the domestic market and PHS base stations suffered a sales drop due to reduced volume. Increasing competition in the digital products market and lowering product prices led to a drop in sales of digital cameras, televisions and liquid crystal display projectors. As a consequence, sales of audio visual and information and communications equipment overall declined. All in all, sales in the Consumer business segment were down 6.6% from the prior year, to ¥1,146.8 billion (US$9,801 million).

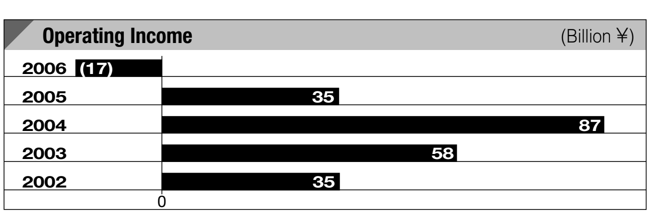
In the Commercial business segment, sales of refrigerated showcases for supermarkets and convenience stores continued to be firm despite a smaller number of new store openings by domestic large distributor chains; shipments to China were also brisk. Thus, sales increased overall for this type of product. As for large air conditioners, all-in-one air conditioning systems for China, as well as those for Japanese schools, attained strong sales. In Medical information system business, replacement demand for computer system for hospital and clinic picked up, and sales of electronic charts and dispensing systems were brisk. As a result, sales in the Commercial business segment reached ¥235.0 billion (US$2,008 million), rising 10.4%.

In the Component business segment, sales of lithium-ion batteries increased, reflecting firm trends in the mobile phone and lap top PC markets. For nickel-metal-hydride batteries, "eneloop", which were released in November 2005, and other commercial rechargeable batteries recorded good sales. Also, to meet active demand for solar cells in Germany and other markets in Europe, module production commenced in Hungary. This brought about considerable sales growth. As a result of these efforts, battery sales overall increased. Sales also rose in the electronic Component business segment. Although unit prices of condensers and vibrating motors declined, strong demand in the mobile phone and PC markets pushed up sales volume. In the semiconductor business, however, new product development was delayed in the aftermath of the Niigata Chuetsu Earthquake and orders from customers have not been recovered to the pre-quake level. The result was a decline in semiconductor sales. Similarly, sales of optical pickups also diminished, affected by falling prices. All told, sales in the Component business segment came to ¥911.8 billion (US$7,793 million), down 3.7%.

Sales of operations in business segment "Others" rose 6.5%, to ¥103.5 billion (US$885 million). This rise was owing to the inclusion of subsidiaries handling foods and vehicles in the consolidated financial statements.

Of consolidated net sales, domestic sales were ¥1,162.4 billion (US$9,935 million), down 7.7%, while overseas sales inched up 0.8%, to ¥1,234.6 billion (US$10,552 million). As a consequence, overseas sales as a percentage of consolidated net sales rose 2.2 points, to 51.5%.





Cost of Sales, Selling, General and Administrative Expenses and Operating Income

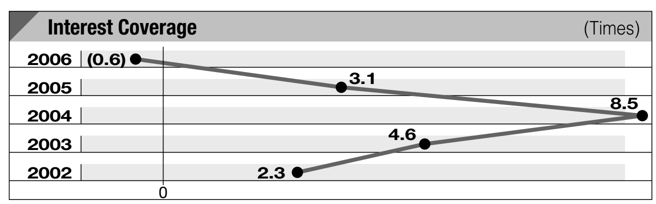
Cost of sales for the fiscal year under review totaled ¥2,102.7 billion (US$17,972 million), a ¥22.9 billion (US$196 million) drop. The ratio of sales cost to net sales rose 2.1 points to 87.7%, due to a fall in sales and inventory revaluation in line with progress in Sanyo's structural reform.

Selling, general and administrative expenses decreased ¥1.8 billion (US$15 million), to ¥398.7 billion (US$3,408 million), due to a drop in shipping and handling costs and patent fees. However, the ratio of selling, general and administrative expenses to net sales worsened 0.5 point, to 16.6%.

Accordingly, cost of sales and selling, general and administrative expenses diminished, but could not offset a drop in net sales. As a result, operating income decreased ¥52.4 billion (US$448 million), to operating loss of ¥17.2 billion (US$147 million).

Other Income (Expenses) and Net Income

Other expenses amounted to ¥148.5 billion (US$1,270 million), increasing ¥44.5 billion (US$380million) from the previous fiscal year. This rise came about mainly because ¥84.9 billion (US$726 million) in structural reform expenses which comprises of employee termination benefits of ¥26.1 billion (US$223 million), impairment losses on fixed assets of ¥31.2 billion (US$267 million), devaluation and disposal losses on other assets of ¥21.8 billion (US$186 million) and other associated costs of ¥5.8 billion (US$50 million) and ¥71.3 billion (US$610 million) in impairment loss on fixed assets were posted as a result of the reexamination of all operations and assets, based on Sanyo's structural reform project.



Consequently, net loss before taxes and minority interests from continuing operations came to ¥165.7 billion (US$1,416 million) (compared with ¥68.8 billion in the previous year). Income taxes were ¥38.3 billion (US$327 million) (¥104.7 billion in the previous fiscal year).

As a result, net loss before minority interests from continuing operations amounted to ¥204.0 billion (US$1,744 million) (¥173.5 billion in the previous fiscal year). After deducting minority interests, ¥200.3 billion (US$1,712 million) in net loss from continuing operations (¥172.9 billion in the previous fiscal year) was recorded. Adding ¥5.3 billion (US$46 million) in net loss from discontinued operations (compared with income of ¥1.4 billion in the previous fiscal year), net loss for the fiscal year under review totaled ¥205.7 billion (US$1,758 million)(¥171.5 billion in the previous fiscal year).

Net loss per share came to ¥195.0 (US$1.66), compared with ¥92.5 in the previous year.

Information on Capital Resources and Cash Flows

FINANCIAL STRATEGIES

Sanyo procures working capital and funds for capital investment through borrowing and corporate bonds. Working capital is financed through short-term borrowing with maturities of one year or less (including the current portion of long-term liabilities), while long-term funds for production facilities and equipment are procured through long-term loans, straight and convertible bond, and preferred stock issues. As of March 31, 2006, short-term borrowing was down ¥208.9 billion (US$1,785 million) from a year earlier, to ¥338.7 billion (US$2,895 million), while corporate bond issues and long-term loans diminished ¥179.3 billion (US$ 1,532 million), to ¥500.4 billion (US$ 4,277 million).

FINANCIAL POSITION

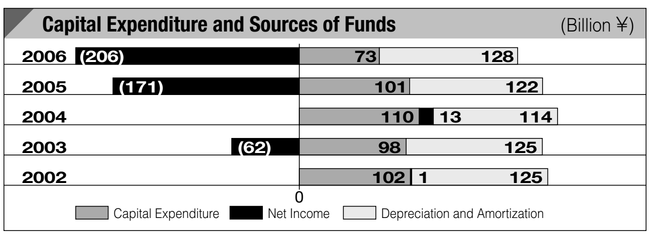
Assets

As a result of the consolidated business performance described above, total assets as of March 31, 2006 came to ¥2,154.8 billion (US$18,417 million), down ¥445.8 billion (US$ 3,810 million) from a year earlier.

Total current assets diminished ¥73.0 billion (US$624 million), to ¥1,420.3 billion (US$12,139 million). Although restricted cash comprising funds procured through issuance of preferred stocks to third parties increased ¥264.8 billion (US$2,263 million) from a year earlier, finance receivables dropped ¥261.6 billion (US$2,236 million) due to the removal of SANYO Electric Credit Co., Ltd. from the Sanyo's consolidated financial statements, and inventories fell ¥66.1 billion (US$565 million).

Investments and advances decreased ¥90.0 billion (US$769 million), to ¥161.0 billion (US$1,376 million), as a result of sales of available-for-sale securities.

Net property, plant and equipment declined ¥110.5 billion (US$944 million), to ¥500.7 billion (US$4,279 million), due to restrained capital investment and selling-off of assets and impairment loss on fixed assets.



Capital Expenditure and Sources of Funds

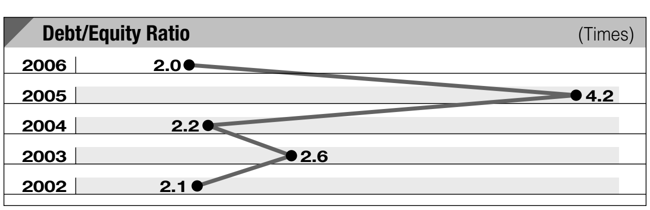
Deferred income taxes - noncurrent - came to ¥10.9 billion (US$93 million), dropping ¥21.6 billion (US$185 million) from the end of the previous fiscal year, because of valuation allowance and the deconsolidation of SANYO Electric Credit Co., Ltd.

Other assets diminished ¥150.7 billion (US$1,288 million), to ¥61.9 billion (US$529 million), mainly because long-term investment in financing leases decreased due to the removal of SANYO Electric Credit Co., Ltd. from the consolidated financial statements.

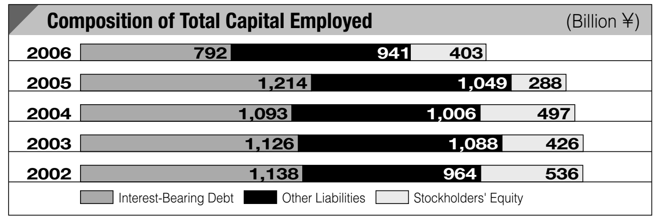
Liabilities and Stockholders' Equity

Total liabilities as of March 31, 2006 were ¥1,733.6 billion (US$14,817 million), a decline of ¥528.8 billion (US$4,520 million) from a year earlier. The main factor behind this decline was a ¥341.2 billion (US$2,916 million) drop in interest-bearing debt, which related to SANYO Electric Credit Co., Ltd..

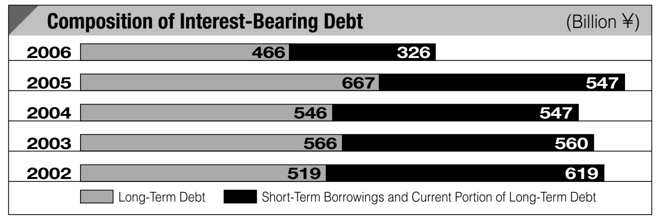
Another factor was that trade payables decreased ¥100.5 billion (US$859 million). Total stockholders' equity reached ¥402.9 billion (US$3,444 million), rising ¥114.6 billion (US$979 million), and stockholders' equity ratio improved 7.6 points, to 18.7%. This increase came about despite considerable net loss of ¥205.7 billion (US$1,758 million), because the Company shored up its capital base by ¥300.0 billion (US$2,564 million) through issuance of preferred stocks to third parties.



Debt/Equity Ratio



Composition of Total Capital Employed

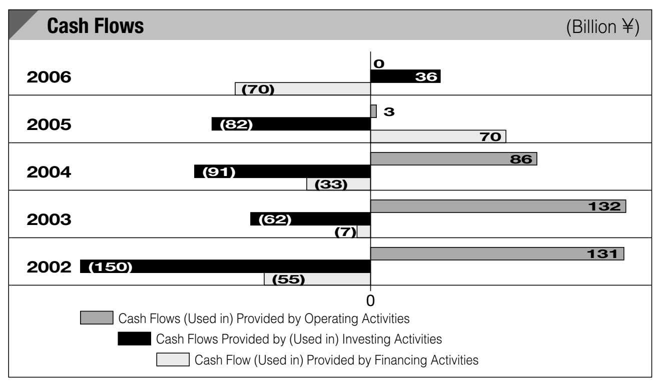


Composition of Interest-Bearing Debt

Cash Flows

Cash and cash equivalents as of March 31, 2006 amounted to ¥297.5 billion (US$2,543 million), up ¥2.5 billion (US$21 million) from a year earlier, because of the sales of available-for-sale securities, though interest bearing debt decreased.

Cash flow from operating activities plunged ¥4.4 billion (US$38 million), resulting in net outflow of ¥0.7 billion (US$6 million). Although inventories and trade receivables diminished, a huge net loss of ¥205.7 billion (US$1,758 million) was booked.



Cash Flows

Net cash provided by investing activities increased ¥118.2 billion (US$1,010 million), to ¥36.0 billion (US$308 million), as a result of in sales of available-for-sale securities.

Consequently, free cash flow (net cash from operating activities plus net cash from investing activities) improved ¥113.9 billion (US$974 million) from the previous fiscal year, resulting in net inflow of ¥35.3 billion (US$302 million).

Net cash used in financing activities dropped ¥140.6 billion (US$1,202 million), to ¥70.0 billion (US$598 million) , as a result of the Company's efforts to reduce interest-bearing debt.

ACQUISITION OF TREASURY STOCK

During the fiscal year under review, the Company acquired 329,801 shares to cover odd lot purchases of less than one trading unit, and sold 63,238 shares in response to requests from odd-lot stockholders for additional holdings. As a consequence, the total treasury stock held at the end of the fiscal year was 17,874,175 shares.

Consolidated Statements of Operations

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2006, 2005 and 2004

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2006	2005	2004	2006
Revenues:				
Net sales (Note 8)	¥2,397,026	¥ 2,484,639	¥ 2,508,018	$ 20,487,402
Operating revenue	87,279	76,746	77,210	745,974
Interest and dividends	7,170	5,066	6,065	61,282
Other income (Note 25)	59,670	26,053	26,794	510,000
Total revenues	2,551,145	2,592,504	2,618,087	21,804,658
Costs and expenses:				
Cost of sales (Note 8)	2,102,734	2,125,637	2,115,262	17,972,085
Selling, general and administrative (Note 22)	398,725	400,512	382,853	3,407,906
Interest	18,412	13,127	10,821	157,368
Other expense (Note 25)	196,970	121,995	67,628	1,683,504
Total costs and expenses	2,716,841	2,661,271	2,576,564	23,220,863
(Loss) income before income taxes and minority interests from continuing operations	(165,696)	(68,767)	41,523	(1,416,205)
Provision for income tax (Note 21):				
Current	20,861	18,328	15,601	178,299
Deferred	17,448	86,367	10,756	149,128
(Loss) income before minority interests from continuing operations	(204,005)	(173,462)	15,166	(1,743,632)
Minority interests	(3,675)	(556)	2,904	(31,410)
Net (loss) income from continuing operations	(200,330)	(172,906)	12,262	(1,712,222)
Discontinued operations (Note 4):				
(Loss) income before income taxes from discontinued operations	(1,882)	3,372	3,315	(16,085)
Provision for income tax	3,449	2,010	2,177	29,479
Net (loss) income from discontinued operations	(5,331)	1,362	1,138	(45,564)
Net (loss) income	¥ (205,661)	¥ (171,544)	¥ 13,400	$ (1,757,786)

	Yen			U.S. Dollars (Note 3)
Per share (Yen and U.S. dollars) (Note 23):				
Net (loss) income:				
Basic				
Net (loss) income from continuing operations	¥ (192.4)	¥ (93.2)	¥ 6.6	$ (1.64)
Net (loss) income from discontinued operations	(2.6)	0.7	0.6	(0.02)
Net (loss) income	(195.0)	(92.5)	7.2	(1.66)
Diluted				
Net (loss) income from continuing operations	(192.4)	(93.2)	6.6	(1.64)
Net (loss) income from discontinued operations	(2.6)	0.7	0.6	(0.02)
Net (loss) income	(195.0)	(92.5)	7.2	(1.66)
Per American Depositary Share (Yen and U.S. dollars) (Notes 23):				
Net (loss) income:				
Basic				
Net (loss) income from continuing operations	¥ (961.9)	¥ (466.2)	¥ 33.0	$ (8.22)
Net (loss) income from discontinued operations	(12.9)	3.7	3.0	(0.11)
Net (loss) income	(974.8)	(462.5)	36.0	(8.33)
Diluted				
Net (loss) income from continuing operations	(961.9)	(466.2)	33.0	(8.22)
Net (loss) income from discontinued operations	(12.9)	3.7	3.0	(0.11)
Net (loss) income	(974.8)	(462.5)	36.0	(8.33)
Weighted average number of shares (thousands)	1,854,591	1,854,947	1,855,193	

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
Assets	2006	2005	2006
Current assets:			
Cash and cash equivalents:			
Cash	¥ 196,784	¥ 124,053	$ 1,681,915
Time deposits	100,716	170,929	860,821
	297,500	294,982	2,452,736
Restricted cash (Note 6)	264,800	—	2,263,248
Securities	1,109	9,542	9,479
Receivables:			
Notes and accounts receivable (Note 5)	461,613	448,281	3,945,410
Finance receivables	—	261,639	—
Affiliates and unconsolidated subsidiaries	19,182	29,406	163,949
Allowance for doubtful accounts	(10,509)	(30,046)	(89,821)
Inventories (Note 7)	317,894	383,976	2,717,043
Deferred income taxes (Note 21)	8,287	17,911	70,829
Prepaid expenses and other	60,441	77,675	516,589
Total current assets	1,420,317	1,493,366	12,139,462
Investments and advances:			
Affiliates and unconsolidated subsidiaries (Note 8)	48,000	56,066	410,256
Securities and other investments (Notes 9 and 17)	112,988	194,925	965,709
Total investments and advances	160,988	250,991	1,375,965
Long-term finance receivables	—	132,087	—
Property, plant and equipment, at cost (Notes 11 and 13):			
Buildings	409,581	457,225	3,500,692
Machinery and equipment	919,154	944,543	7,856,017
	1,328,735	1,401,768	11,356,709
Accumulated depreciation	(941,303)	(941,762)	(8,045,325)
	387,432	460,006	3,311,384
Land	101,664	130,906	868,923
Construction in progress	11,590	20,319	99,060
Total property, plant and equipment	500,686	611,231	4,279,367
Deferred income taxes (Note 21)	10,935	32,512	93,462
Other assets (Note 12)	61,911	80,490	529,154
Total assets	¥2,154,837	¥ 2,600,677	$ 18,417,410

The accompanying notes are an integral part of these statements.

Liabilities and Stockholders' Equity	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars (Note 3) 2006
Current liabilities:			
Short-term borrowings (Note 13)	¥ 264,441	¥ 408,531	$ 2,260,179
Current portion of long-term debt (Note 11 and 13)	74,297	139,101	635,017
Notes and accounts payable:			
Trade	402,638	453,554	3,441,350
Affiliates and unconsolidated subsidiaries	20,392	50,235	174,291
Construction	13,334	33,108	113,966
Accrued expenses	195,093	197,182	1,667,462
Accrued income taxes	11,638	11,301	99,470
Other liabilities	64,410	73,516	550,513
Total current liabilities	1,046,243	1,366,528	8,942,248
Long-term debt (Notes 11, 13 and 17)	500,434	679,728	4,277,214
Accrued pension and severance costs (Note 14)	186,969	216,190	1,598,025
Total liabilities	1,733,646	2,262,446	14,817,487
Minority interests in consolidated subsidiaries	18,299	49,963	156,402
Commitments and contingent liabilities (Note 16)			
Stockholders' equity:			
Common stock	172,242	172,242	1,472,154
Authorized (March 31, 2006) : 7,060,300,000 shares			
(March 31, 2005) : 4,921,196,000 shares			
Issued (March 31, 2006 & 2005) : 1,872,338,099 shares			
Preferred stock (Note 20)	89,086	—	761,418
Authorized (March 31, 2006)			
Class A : 182,600,000 shares			
Class B : 246,100,000 shares			
(March 31, 2005)			
Class A : — shares			
Class B : — shares			
Issued (March 31, 2006)			
Class A : 182,542,200 shares			
Class B : 246,029,300 shares			
(March 31, 2005)			
Class A : — shares			
Class B : — shares			
	261,328	172,242	2,233,572
Additional paid-in capital	721,828	336,035	6,169,470
Accumulated deficit	(466,951)	(84,342)	(3,991,034)
Accumulated other comprehensive loss	(105,885)	(128,310)	(905,000)
Less, treasury stock at cost:			
2006-17,874,175 shares	(7,428)	—	(63,487)
2005-17,607,612 shares	—	(7,357)	—
Total stockholders' equity	402,892	288,268	3,443,521
Total liabilities and stockholders' equity	¥2,154,837	¥ 2,600,677	$ 18,417,410

Consolidated Statements of Stockholders' Equity

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2006, 2005 and 2004

	Millions of Yen, except share data												
	Common stock		Preferred Stock (Note 20)		Additional Paid-in Capital	Accumulated (deficit) retained earnings	Accumulated Other Comprehensive Income (Loss)					Treasury Stock	Total Comprehensive Income (Loss)
	Number of shares (Thousands)	Amount	Number of shares (Thousands)	Amount			Net Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments	Net Unrealized Gains (Losses) on Derivatives	Total		
Balance, March 31, 2003	1,872,338	¥ 172,242	—	¥ —	¥ 336,029	¥ 90,498	¥ (11,136)	¥ (46,141)	¥ (106,405)	¥ (1,944)	¥ (165,626)	¥ (7,117)	
Comprehensive income:													
Net income						13,400							¥ 13,400
Other comprehensive income (loss):													
Net unrealized gains on securities (net of tax of ¥24,448 million) (Note 9)							35,314				35,314		35,314
Reclassification adjustments for net gains on securities realized in net income (net of tax of ¥4,381 million)							(6,912)				(6,912)		(6,912)
Foreign currency translation adjustments								(12,856)			(12,856)		(12,856)
Minimum pension liability adjustments (net of tax of ¥36,455 million) (Note 14)									52,847		52,847		52,847
Net unrealized gains on derivatives (net of tax of ¥210 million) (Note 18)										180	180		180
Reclassification adjustments for net losses realized in net income (net of tax of ¥684 million)										526	526		526
Total													¥ 82,499
Cash dividends						(11,132)							
Purchase of treasury stock (288 thousand shares)												(142)	
Sale of treasury stock (155 thousand shares)												44	
Gains on disposal of treasury stock					7								
Balance, March 31, 2004	1,872,338	172,242	—	—	336,036	92,766	17,266	(58,997)	(53,558)	(1,238)	(96,527)	(7,215)	
Comprehensive (loss):													
Net loss						(171,544)							¥ (171,544)
Other comprehensive income (loss):													
Net unrealized gains on securities (net of tax of ¥8,415 million) (Note 9)							8,053				8,053		8,053
Reclassification adjustments for net gains on securities realized in net loss (net of tax of ¥4,472 million)							(6,657)				(6,657)		(6,657)
Foreign currency translation adjustments								786			786		786
Minimum pension liability adjustments (net of tax of ¥31,345 million) (Note 14)									(34,115)		(34,115)		(34,115)
Net unrealized losses on derivatives (net of tax of ¥477 million) (Note 18)										(367)	(367)		(367)
Reclassification adjustments for net losses realized in net loss (net of tax of ¥672 million)										517	517		517
Total													¥ (203,327)
Cash dividends						(5,564)							
Purchase of treasury stock (512 thousand shares)												(193)	
Sale of treasury stock (128 thousand shares)												51	
Loss on disposal of treasury stock					(1)								
Balance, March 31, 2005	1,872,338	¥ 172,242	—	¥ —	¥ 336,035	¥ (84,342)	¥ 18,662	¥ (58,211)	¥ (87,673)	¥ (1,088)	¥ (128,310)	¥ (7,357)	

	Common stock		Preferred Stock (Note 20)				Accumulated Other Comprehensive Income (Loss)						
	Number of shares (Thousands)	Amount	Number of shares (Thousands)	Amount	Additional Paid-in Capital	Accumulated (deficit) retained earnings	Net Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments	Net Unrealized Gains (Losses) on Derivatives	Total	Treasury Stock	Total Comprehensive (Loss)
Millions of Yen, except share data													
Balance, March 31, 2005	1,872,338	¥ 172,242	—	¥ —	¥ 336,035	¥ (84,342)	¥ 18,662	¥ (58,211)	¥ (87,673)	¥ (1,088)	¥ (128,310)	¥ (7,357)	
Comprehensive (loss):													
Net loss						(205,661)							¥ (205,661)
Other comprehensive income (loss):													
Net unrealized gains on securities (net of tax of ¥1,019 million) (Note 9)							38,529				38,529		38,529
Reclassification adjustments for net gains on securities realized in net loss (net of tax of ¥671 million)							(36,007)				(36,007)		(36,007)
Foreign currency translation adjustments								16,100			16,100		16,100
Minimum pension liability adjustments (net of tax of ¥5,088 million) (Note 14)									2,715		2,715		2,715
Net unrealized gains on derivatives (net of tax of ¥1,014 million) (Note 18)										780	780		780
Reclassification adjustments for net losses realized in net loss (net of tax of ¥401 million)										308	308		308
Total													¥ (183,236)
Purchase of treasury stock (330 thousand shares)												(97)	
Sale of treasury stock (63 thousand shares)												26	
Loss on disposal of treasury stock					(6)								
Issuance of preferred stock			428,572	150,000	147,937								
Beneficial Conversion Feature				(150,000)	150,000								
Amortization of Beneficial Conversion Feature				89,086	87,862	(176,948)							
Balance, March 31, 2006	1,872,338	¥ 172,242	428,572	¥ 89,086	¥ 721,828	¥ (466,951)	¥ 21,184	¥ (42,111)	¥ (84,958)	¥ —	¥ (105,885)	¥ (7,428)	
Thousands of U.S. Dollars (Note 3)													
Balance, March 31, 2005	1,872,338	$1,472,154	—	$ —	$2,872,094	$ (720,872)	$159,504	$(497,530)	$(749,342)	$ (9,299)	$(1,096,667)	$(62,880)	
Comprehensive (loss):													
Net loss						(1,757,786)							$(1,757,786)
Other comprehensive income (loss):													
Net unrealized gains on securities (net of tax of $9 million) (Note 9)							329,308				329,308		329,308
Reclassification adjustments for net gains on secrities realized in net loss (net of tax of $6 million)							(307,752)				(307,752)		(307,752)
Foreign currency translation adjustments								137,607			137,607		137,607
Minimum pension liability adjustments (net of tax of $43 million) (Note 14)									23,205		23,205		23,205
Net unrealized gains on derivatives (net of tax of $9 million) (Note 18)										6,667	6,667		6,667
Reclassification adjustments for net losses realized in net loss (net of tax of $3 million)										2,632	2,632		2,632
Total													$(1,566,119)
Purchase of treasury stock (330 thousand shares)												(829)	
Sale of treasury stock (63 thousand shares)												222	
Loss on disposal of treasury stock					(51)								
Issuance of preferred stock			428,572	1,282,051	1,264,419								
Beneficial Conversion Feature				(1,282,051)	1,282,051								
Amortization of Beneficial Conversion Feature				761,418	750,957	(1,512,376)							
Balance, March 31, 2006	1,872,338	$1,472,154	428,572	$ 761,418	$6,169,470	$(3,991,034)	$181,060	$(359,923)	$(726,137)	$ —	$ (905,000)	$(63,487)	

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2006, 2005 and 2004

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2006	2005	2004	2006
Cash flows from operating activities:				
Net (loss) income	¥ (205,661)	¥ (171,544)	¥ 13,400	$ (1,757,786)
Adjustments to reconcile net (loss) income to net cash provided by operating activities				
Depreciation and amortization	129,712	123,540	113,785	1,108,650
Gain on sale of marketable securities and investment securities	(39,204)	(10,474)	(12,117)	(335,077)
Impairment loss on investment securities	9,989	3,676	2,643	85,376
Impairment and disposal of investments and bad debts	—	7,257	1,588	—
(Gain) loss on disposal of fixed assets	(4,527)	14,459	9,397	(38,692)
Impairment loss on fixed assets	107,702	7,338	—	920,530
Provision for deferred income taxes	18,903	83,071	9,093	161,564
Equity in earnings of affiliates and unconsolidated subsidiaries	13,072	(2,661)	(2,651)	111,726
Change in assets and liabilities, net of effect of newly consolidated subsidiaries in 2006, 2005 and 2004				
Decrease (increase) in receivables	21,281	100,359	(56,613)	181,889
Decrease (increase) in inventories	78,552	(24,872)	(1,987)	671,385
Decrease (increase) in prepaid expenses and other	18,578	(18,412)	(7,034)	158,786
Decrease (increase) in other assets	10,573	(10,205)	(23,602)	90,368
(Decrease) increase in notes and accounts payable	(105,520)	(67,385)	15,062	(901,880)
Increase (decrease) in accrued income taxes	879	(618)	(3,907)	7,513
(Decrease) increase in other current liabilities	(24,710)	1,154	25,183	(211,197)
Other, net	(30,283)	(30,988)	4,131	(258,830)
Total adjustments	204,997	175,239	72,971	1,752,111
Net cash (used in) provided by operating activities	(664)	3,695	86,371	(5,675)
Cash flows from investing activities:				
Purchase of available-for-sale securities	(3,634)	(40,848)	(34,102)	(31,060)
Purchase of held-to-maturity securities	(10,115)	(16,393)	(12,831)	(86,453)
Proceeds from sale of available-for-sale securities (Note 9)	99,837	34,936	41,295	853,308
Proceeds from repayment of held-to-maturity securities	10,836	3,910	26,214	92,615
Proceeds from sale of property, plant and equipment	46,760	39,711	15,754	399,658
Payments for purchase of property, plant and equipment	(84,564)	(96,633)	(110,329)	(722,769)
Payments for acquisition of consolidated subsidiaries	—	(2,276)	(343)	—
(Payments for) proceeds from sale of consolidated subsidiaries	(2,004)	111	(1,135)	(17,128)
Proceeds on business transfer (Note 26)	—	19,153	—	—
Other, net	(21,115)	(23,905)	(15,879)	(180,470)
Net cash provided by (used in) investing activities	36,001	(82,234)	(91,356)	307,701
Cash flows from financing activities:				
Decrease in short-term borrowings	(20,432)	(20,737)	(20,998)	(174,632)
Proceeds from issuance of long-term debt	82,671	278,884	152,082	706,590
Proceeds from issuance of new shares (Note 20)	299,238	—	—	2,557,590
Deposit in restricted cash (Note 6)	(300,000)	—	—	(2,564,103)
Withdrawal from restricted cash (Note 6)	35,200	—	—	300,855
Repayments of long-term debt	(166,786)	(174,788)	(152,544)	(1,425,521)
Dividends paid	(1,606)	(12,632)	(11,650)	(13,727)
Repurchases of common stock, net	(78)	(147)	(195)	(668)
Proceeds from minority stockholders on the issuance of new shares in a subsidiary	1,813	—	—	15,496
Net cash (used in) provided by financing activities	(69,980)	70,580	(33,305)	(598,120)
Effect of exchange rate changes on cash and cash equivalents	8,182	1,145	(7,185)	69,932
Net (decrease) increase in cash and cash equivalents	(26,461)	(6,814)	(45,475)	(226,162)
Cash and cash equivalents of newly consolidated subsidiaries	28,979	24,334	3,184	247,684
Cash and cash equivalents at beginning of year	294,982	277,462	319,753	2,521,214
Cash and cash equivalents at end of year	¥ 297,500	¥ 294,982	¥ 277,462	$ 2,542,736

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

SANYO Electric Co., Ltd. and Subsidiaries

1 NATURE OF OPERATIONS AND BASIS OF PREPARATION

Nature of Operations

SANYO Electric Co., Ltd. and its consolidated subsidiaries (hereinafter collectively referred to as "Sanyo") is engaged in development, manufacture and sales in various locations around the world. Sanyo operates in four business segments: "Consumer," "Commercial," "Component," and "Others." Fiscal 2005 net sales comprised Consumer (48%), Commercial (10%), Component (38%), and Others (4%). The principal markets are in Japan, Asia, North America, Europe and Others, with sales in each area representing 49%, 26%,15%, 8% and 2%, respectively, of net sales for the year ended March 31, 2006. Sanyo has manufacturing facilities located in more than 20 countries, principally in Asian areas, such as in Japan and China, as well as in North America and in Europe.

Basis of preparation

1. Background and main point of Medium-term Management Plan

Sanyo has faced a severe business environment for several years, due to intensifying global competition and other factors. Under these circumstances, in October 2004, NIIGATA SANYO ELECTRONIC CO., LTD. (present SANYO Semiconductor Manufacturing Co.,Ltd.) was struck by the Niigata Chuetsu Earthquake. The Company's leading subsidiary in semiconductor manufacturing of front end process suffered a huge loss as a result of this earth quake. In addition, due to the negative impact of the valuation allowances on deferred tax assets as a result of our weakened profit condition, Sanyo reported consolidated net loss of 171,544 million yen for the year ended March 31, 2005. For the current year ended March 31, 2006, Sanyo reported consolidated net loss of 205,661 million yen (US$1,757,786 thousand).

To overcome these tough business conditions, Sanyo developed a new vision, "Think GAIA," in July 2005, and announced that it would implement streamlining and restructuring of its operations and organizations, in accordance with this new vision, through the SANYO EVOLUTION PROJECT which is key to Medium - term Management Plan.

2. Business strategy and important measures

We reviewed the business portfolio of Sanyo, and divided the existing businesses into Core Businesses and Businesses Requiring Structural Reform.

·Core Businesses

Core Businesses are businesses essential for realizing the goals of the new vision "Think GAIA" of Sanyo. Considering global growth potential, profitability, market position, core competence and other factors of existing businesses, 1) Power Solutions business 2) HVAC (Heating, Ventilating and Air Conditioning) products & Commercial Equipment business 3) Personal Mobile Devices business were identified as our Core Businesses, on which our strategic efforts should be concentrated.

As a part of progress for Core Business, the Company and German automaker VOLKSWAGEN AG, agreed to start co-development of next generation nickel metal hydride (Ni-MH) battery systems for Hybrid Electric Vehicles (HEV) on January 31, 2006.

·Businesses Requiring Structural Reform

We identified businesses that would continue to be financial burdens for Sanyo if left unchanged. In each of these businesses, we will streamline operations in manufacturing, sales and other processes. Some businesses will be downsized or discontinued, as appropriate. Closure of underperforming sites, revision or discontinuance of underperforming products and other appropriate measures will be implemented in accordance with the idea of "selection and concentration." Specifically, radical reforms will be implemented in the Semiconductor, AV, Home Appliances, Financial services and some other businesses.

In connection with Medium-term Management Plan, Sanyo carried out the following structural reforms :

·Financial services business: the Company has sold a part of its holdings of SANYO Electric Credit Co., Ltd, to affiliates of the Goldman Sachs Group Inc..

·TV business: the Company and Quanta Computer Inc. (Quanta) of Taiwan, have reached basic agreement to form a joint venture company for the Flat Panel TV business on March 17, 2006.

·Semiconductor business: Sanyo will spin off the semiconductor business and establish a separate legal entity on July 1, 2006.

3. Strengthen Sanyo's functions and financial position

Additionally, such functions as materials purchasing, physical distribution, quality assurance, customer service, IT and production technology will be reviewed through corporate-wide cross-functional activities, to enhance their efficiency and promote cost reduction.

In the area of labor costs, labor cost structure improvement will be pursued through discontinuation of underperforming business, personnel reduction, reassignment and other efforts. Sanyo achieved the aim of reducing workforce. Furthermore, functional capabilities of headquarters and brand marketing capabilities will be strengthened.

In the financial area, measures for improving the Group financial structure will be diligently pursued, including measures to reduce total assets, such as sales of idle plant sites in Japan, a sale or securitization of the head office building, laboratories and sales offices, sale of available-for-sale securities and reduction of inventories, as well as reduction of interest-bearing debts.

4. Financing

On March 14, 2006, the Company issued preferred stocks to Evolution Investments Co., Ltd. (a 100% subsidiary of Daiwa Securities SMBC Principal Investments Co. Ltd.), Oceans Holdings Co., Ltd. (an affiliate company of the Goldman Sachs Group, Inc.), and Sumitomo Mitsui Banking Corporation after the resolution of an extraordinary meeting of stockholders. The financing may enable Sanyo to further increase the pace of structural reforms, to enable Sanyo to conduct capital investments and to perform research and development activities that are necessary for a growth strategy centered on Sanyo's core businesses, and to complete Medium-term Management Plan.

The future operational performance of Sanyo is dependent on the success in completing Medium-term Management Plan. The accompanying financial statements have been prepared on a going concern basis, which assumes the realization of assets and satisfaction of liabilities in the normal course of business and does not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should Sanyo be unable to continue as a going concern.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles

The accounting records of domestic companies are maintained in accordance with accounting practices prevailing in Japan. The accompanying consolidated financial statements reflect the adjustments necessary for a presentation in accordance with generally accepted accounting principles as defined in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Investments in 20% to 50% held companies are carried at cost plus the equity in undistributed earnings, after elimination of unrealized intercompany profits.

For the year ended March 31, 2005, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No.46 "Consolidation of Variable Interest Entities"(revised December 2003, hereinafter referred to as "FIN46R"), and accordingly consolidated variable interest entities in which the Company was determined to be the primary beneficiary.

Cash Equivalents

All highly liquid investments, including time deposits, purchased with original maturities of three months or less, are considered to be cash equivalents.

Short-Term Investments and Investments and Advances

Available-for-sale securities are carried at fair market value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income. Available-for-sale securities are reduced to net realizable value by a charge to earnings when there are other than temporary declines in fair value. For the purpose of computing gains and losses on securities sold, the cost of these securities is determined by the moving average method. Held-to-maturity securities are recorded at amortized cost. Securities that do not have readily determinable fair values are recorded at cost.

Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated at the exchange rates in effect at the respective balance sheet date, and related transaction gains or losses are included in the determination of net (loss) income.

Assets and liabilities of foreign consolidated subsidiaries and affiliates accounted for on an equity basis are translated into yen at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the average rate of exchange for the period. Translation adjustments result from the process of translating foreign currency financial statements into yen and are reported in other comprehensive income.

Allowances for Doubtful Accounts

Sanyo maintains allowances for doubtful accounts related to both trade and finance receivables for estimated losses resulting from customers' inability to make timely payments, including interest on finance receivables. Sanyo's estimates are based on various factors including the length of past due payments, historical experience and current business environments. In circumstances where it is aware of specific customer's inability to meet its financial obligations, a specific allowance against these amounts is provided considering the fair value of assets pledged by the customer as collateral.

Inventories

Inventories are stated at the lower of cost or market value. The cost of finished products and work in process is primarily determined by the average cost method. The first-in, first-out method is primarily used for other inventories.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant renewals and additions, are carried at cost. When retired or otherwise disposed of, the cost and related accumulated depreciation are cleared from the respective accounts, and the net difference, less any amounts realized on disposal, is reflected in earnings. Depreciation is principally computed by the declining balance method. The principal estimated useful lives used for computing depreciation are as follows:

Buildings	5 to 50 years
Machinery and equipment	2 to 20 years

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Goodwill and Other Intangible Assets

Goodwill acquired in a purchase business combination and intangible assets with indefinite useful lives are not amortized but rather tested for impairment at least annually, or whenever the events or changes in circumstances indicate the possibility of impairment. The fair value of these assets is generally estimated using a discounted cash flows analysis. Intangible assets with definite useful lives are amortized on a straight line basis over their estimated useful lives, which are mainly 3 to 5 years.

Impairment of Long-Lived Assets

Sanyo's long-lived assets and intangible assets with definite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If it is determined an impairment loss has occurred, a loss calculated as the difference between the carrying value and the fair value is recognized in the period.

Advertising Costs

Advertising costs are expensed as incurred.

Research and Development Costs

Research and development costs are expensed as incurred.

Provision for Product Warranty Costs

Provision for product warranty costs is established at the time the revenue is recognized, based on historical actual amounts.

Income Taxes

Deferred income taxes reflect the expected future tax consequences of differences between the tax bases of assets and liabilities and the financial reporting amounts at the fiscal year-end. Deferred income tax assets and liabilities are measured by using currently enacted tax rates, and the effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that the change is enacted.

Sanyo recognizes a valuation allowance for deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Derivatives

Sanyo utilizes derivatives to manage the risk of changes in foreign currency exchange rates and interest rates. The derivatives Sanyo utilizes are mainly foreign currency exchange contracts, interest rate swaps and currency swaps. Sanyo applies Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138 and No.149. Sanyo recognizes all derivatives as either assets or liabilities in the balance sheet and measures these instruments at fair value. The change in the fair value of a derivative that does not qualify for hedge accounting is recognized in earnings in the period of the change. If the derivatives are designated and qualified as cash flow hedges, they are first recorded in other comprehensive income or loss, and then the realization of earnings or losses is deferred until it is impacted by the hedged items. Sanyo formally documents hedging risk management objectives and strategies and relationships between the hedging instruments and the hedged items. Sanyo also assesses whether the derivatives that are used in hedging offset the cash flows of the hedged items or not at the commencement of a hedging transaction and on an ongoing basis.

Stock-Based Compensation

The Company accounts for employee stock options in accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees" and follows the disclosure-only provision of SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB Statement No. 123." Stockbased compensation cost is recognized as the excess of the quoted market price of common stock at the date of the award over the stated exercise price.

There is no compensation cost recognized as the option prices at the dates of grants were higher than the fair value of common stock.

Had compensation expense been determined as prescribed by SFAS No. 123, Sanyo's pro forma net income and earning per share available to common stockholders for the years ended March 31, 2006, 2005 and 2004 would have been as follows:

Net (loss) income from continuing operations available to common stockholders

	Millions of yen			Thousands of U.S. Dollars
	2006	2005	2004	2006
As reported	¥(356,784)	¥(172,906)	¥12,262	$(3,049,436)
Deduct:Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(224)	(297)	(221)	(1,915)
Pro forma	¥(357,008)	¥(173,203)	¥12,041	$(3,051,351)

	Yen			U.S. Dollars
	2006	2005	2004	2006
Basic (loss) income per share:				
As reported	¥ (192.4)	¥ (93.2)	¥ 6.6	$ (1.644)
Pro forma	(192.5)	(93.3)	6.5	(1.645)
Diluted (loss) inome per share:				
As reported	(192.4)	(93.2)	6.6	(1.644)
Pro forma	¥ (192.5)	¥ (93.3)	¥ 6.5	$ (1.645)

Net (loss) income from discontinued operations available to common stockholders

	Millions of yen			Thousands of U.S. Dollars
	2006	2005	2004	2006
As reported	¥ (4,785)	¥ 1,362	¥ 1,138	$ (40,897)
Deduct:Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	—	(18)	(70)	—
Pro forma	¥ (4,785)	¥ 1,344	¥ 1,068	$ (40,897)

	Yen			U.S. Dollars
	2006	2005	2004	2006
Basic (loss) income per share:				
As reported	¥ (2.6)	¥ 0.7	¥ 0.6	$ (0.022)
Pro forma	(2.6)	0.7	0.6	(0.022)
Diluted (loss) inome per share:				
As reported	(2.6)	0.7	0.6	(0.022)
Pro forma	¥ (2.6)	¥ 0.7	¥ 0.6	$ (0.022)

Net (loss) income available to common stockholders

	Millions of yen			Thousands of U.S. Dollars
	2006	2005	2004	2006
As reported	¥(361,569)	¥(171,544)	¥13,400	$(3,090,333)
Deduct:Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(224)	(315)	(291)	(1,915)
Pro forma	¥(361,793)	¥(171,859)	¥13,109	$(3,092,248)

	Yen			U.S. Dollars
	2006	2005	2004	2006
Basic (loss) income per share:				
As reported	¥ (195.0)	¥ (92.5)	¥ 7.2	$ (1.667)
Pro forma	(195.1)	(92.6)	7.1	(1.668)
Diluted (loss) inome per share:				
As reported	(195.0)	(92.5)	7.2	(1.667)
Pro forma	¥ (195.1)	¥ (92.6)	¥ 7.1	$ (1.668)

Fair Value per Share Information

The weighted average fair values per share at the date of grant for options during the years ended March 31, 2005 and 2004 were ¥115 and ¥119 respectively. The fair value is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2005	2004
Risk-free interest rate	0.76 %	0.29 %
Expected life	4 years	4 years
Expected volatility	40.10 %	40.70 %
Expected dividend	0.00 %	1.33 %

Dividends and Net Income per Share and per American Depositary Share

Cash dividends declared subsequent to the balance sheet date and designated as applicable to earnings of the period are accrued and charged to retained earnings as of the balance sheet date. Basic income per share is computed by dividing net income by the weighted average number of common stock outstanding during each period. The calculation of diluted income per share takes into account the dilutive effect of convertible bonds. Dividends and net income per American Depositary Share are computed on the basis of each American Depositary Share representing five shares of common stock. The calculation of basic and diluted income per share is presented in Note 23.

Revenue Recognition

Sanyo recognizes sales when delivery has occurred or services have been rendered, the sales price is fixed or determinable, persuasive evidence of an arrangement exists, and the collectibility of the resulting receivable is reasonably assured.

Revenue for direct finance leases is recognized over the lease term. Unrealized lease revenue is amortized by the interest method.

In accordance with Emerging Issues Task Force ("EITF") Issue No.01-09, "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products", the Company accounts for sales incentives as a reduction of revenue.

Reclassifications

Certain reclassifications of previously reported amounts have been made to the consolidated statements of balance sheet, operations, cash flows and footnote disclosures for the years ended March 31, 2004 and 2005 to conform the current year presentation. Such reclassifications have no effect on net assets, net income and cash flows.

New Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs - an amendment of Accounting Research Bulletin ("ARB") No. 43, Chapter 4" ("SFAS 151"). SFAS 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Among other provisions, the new rule requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling costs be recognized as current period charges regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. Additionally, SFAS 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005. The adoption of SFAS 151 will not have a material impact on Sanyo's consolidated results of operations and financial position.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - an amendment of APB Opinion No. 29" ("SFAS 153"). SFAS 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS153 is effective for the fiscal periods beginning after June 15, 2005. The adoption of SFAS 153 will not have a material impact on Sanyo's consolidated results of operations and financial position.

In December 2004, the FASB issued SFAS No. 123 (revised 2004) ("SFAS 123R"), "Share-Based Payments." This statement is a revision of SFAS 123, "Accounting for Stock-Based Compensation." SFAS 123R supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related interpretations. SFAS 123R requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. SFAS 123R establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value based measurement method in accounting for share-based payment transactions with employees except for equity instruments held by employee share ownership plans. SFAS 123R would be effective as of the beginning of the first fiscal year beginning after June 15, 2005, but on April 14, 2005, U.S. Securities and Exchange Commission decided to postpone the adoption of SFAS 123R, therefore, Sanyo will adopt SFAS 123R effective for the fiscal year 2007. Currently Sanyo is evaluating the effect of the adoption of SFAS 123R to Sanyo's consolidated results of operations and financial position.

In June 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 ("Opinion 20") and FASB Statement No. 3." ("SFAS 154") This Statement applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle. SFAS 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. Opinion 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 requires that a change in method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate that is affected by a change in accounting principle. Opinion 20 previously required that such a change be reported as a change in accounting principle. SFAS 154 was effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The impact of SFAS No. 154 will depend on the changes, if any, that Sanyo may identify and record in a future period.

In November 2005, the FASB issued FASB Staff Position ("FSP") 115-1 and 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("FSP FAS 115-1 and FAS 124-1"). FSP FAS 115-1 and FAS 124-1 explains the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. In addition, it also addresses accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairment. FSP FAS 115-1 and FAS 124-1 will be applied to reporting periods beginning after December 15, 2005. Sanyo expects that the adoption of FSP FAS 115-1 and 124-1 will not have a material impact on Sanyo's consolidated results of operations and financial position.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments", an amendment of SFAS 133 and SFAS 140 ("SFAS 155") . This statement permits an entity to elect fair value remeasurement for any hybrid financial instrument (with changes in fair value recognized in earnings) if the hybrid instrument contains an embedded derivative that would otherwise be required to be bifurcated and accounted for separately under SFAS 133. The election to measure the hybrid instrument at fair value is made on an instrument-

by-instrument basis and is irreversible. The statement will be effective for all financial instruments acquired, issued, or subject to a remeasurement event occurring after the beginning of an entity's fiscal years beginning after September 15, 2006. The adoption of SFAS 155 will not have a material impact on Sanyo's results of operations and financial position.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140". This statement amends SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" with respect to the accounting for separately recognized servicing assets and servicing liabilities. This statement shall be effective for fiscal years beginning after September 15, 2006. Sanyo is currently evaluating the impact of adopting this new pronouncement.

3 UNITED STATES DOLLAR AMOUNTS

The U.S. dollar amounts included in the consolidated financial statements and notes thereto for the year ended March 31, 2006 represent the arithmetical results of translating yen to dollars on the basis of ¥117 = US$1, the approximate effective rate of exchange at March 31, 2006.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities have been or could be readily converted, realized or settled in dollars at ¥117 = US$1 or at any other rate.

4 DISCONTINUED OPERATION

In order to improve management efficiency by concentrating resources in Core businesses, the Company reached an agreement to sell a part of its shares on consolidated subsidiaries, SANYO Electric Credit Co., Ltd. ("SECR"), to affiliates of the Goldman Sachs Group Inc and completed the sale at December 27, 2005.

As a result, the Company received proceeds of ¥22,416 million (US$191,590 thousand) and Sanyo recorded a loss of ¥595 million (US$5,085 thousand) on the sale. In addition, as the Company's ownership for SECR was decreased from 52.36% to 19.13%, the Company ceased to consolidate SECR.

SECR operated a leasing and financing business of office devices, equipment, IT devices and home appliances.

For the year ended March 31, 2006 in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived assets," Sanyo presented the results of discontinued operations as a separate line item in the consolidated statements of operations.

Summarized selected financial information for the years ended March 31, 2006 and 2005 for the discontinued operations reclassified during the year ended March 31, 2006 are as follows:

	Millions of yen			Thousands of U.S. Dollars
	2006	2005	2004	**2006**
Net sales and operating revenue	**¥54,862**	¥25,201	¥14,711	**$468,906**
Costs and expenses	**48,219**	18,121	6,273	**412,128**
(Loss) income before income taxes from discontinued operations (including ¥595million (US$5,085 thousand) of loss on sales of discontinued operations for the year ended March 31, 2006)	**(1,882)**	3,372	3,315	**(16,085)**
Income taxes	**3,449**	2,010	2,177	**29,479**
(Loss) income from discontinued operations	**(5,331)**	1,362	1,138	**(45,564)**

5 SECURITIZATION OF TRADE RECEIVABLE

For the years ended March 31, 2006, 2005 and 2004, Sanyo sold trade receivables mainly to a trust bank which securitized these receivables. In these securitizations, Sanyo retained servicing responsibility. No servicing asset or liability has been recorded because the fees for servicing the receivables approximate the servicing revenue.

In addition, the Company's subsidiaries retained subordinated interests which amount was ¥1,253 million (US$10,709 thousand) as of March 31, 2006. During the years ended March 31, 2006, 2005 and 2004, proceeds from the transfer of trade receivables were ¥92,710 million (US$792,393 thousand), ¥55,935 million and ¥49,436 million, respectively, and losses recognized on those transfers were ¥185 million (US$1,581 thousand), ¥19 million and ¥19 million, respectively.

6 RESTRICTED CASH

As of March 31, 2006, Sanyo had ¥264,800 million (US$ 2,263,248 thousand) in restricted cash, which was held in trust. The cash balance comprised of proceeds from the preferred stock issuance of ¥300,000 million (US$2,564,103 thousand) completed on March 14, 2006. During the year, ¥35,200 million (US$ 300,855 thousand) of the proceeds was used for capital injection to a subsidiary in the Semiconductor business. The cash is restricted and can only be used to accomplish and accelerate the restructuring plan or used for investments or research and development costs for mainly Core Business which are necessary for Sanyo's growth strategy based on Medium-term Management Plan.

7 INVENTORIES

Inventories at March 31, 2006 and 2005 comprise the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Finished products	¥180,616	¥205,829	$1,543,726
Work in process	39,984	73,107	341,744
Raw materials	97,294	105,040	831,573
	¥317,894	¥383,976	$2,717,043

8 INVESTMENTS AND ADVANCES

Summarized financial information for affiliates accounted for by the equity method are as follows:

At March 31, 2006, one of the principal affiliates is SANYO EPSON IMAGING DEVICES CORPORATION ("SEID"), in which the Company has a 45.0% equity ownership interest.

	Millions of Yen		Thousands of U.S. Dollars
At March 31, 2006 and 2005	2006	2005	2006
Current assets	¥300,929	¥232,723	$2,572,043
Noncurrent assets	163,329	134,433	1,395,974
Total assets	464,258	367,156	3,968,017
Current liabilities	251,395	202,871	2,148,675
Noncurrent liabilities	68,420	54,995	584,786
Total liabilities	319,815	257,866	2,733,461
Net assets	¥144,443	¥109,290	$1,234,556
Sanyo's investments in affiliates	¥ 55,626	¥ 46,197	$ 475,436
Sanyo's advances in affiliates	2,389	—	20,419

	Millions of Yen			Thousands of U.S. Dollars
Years ended March 31, 2006, 2005 and 2004	2006	2005	2004	2006
Results of operations:				
Net sales	¥589,971	¥ 349,076	¥208,673	$5,042,487
Net (loss) income	(24,548)	(3,479)	5,448	(209,812)
Sanyo's equity in affiliates:				
Net (loss) income	¥ (14,241)	¥ 736	¥ 1,625	$ (121,718)
Cash dividends	1,766	719	803	15,094
Transactions with affiliates:				
Sales to	¥ 76,025	¥ 148,919	¥ 83,610	$ 649,786
Purchases from	64,775	82,227	33,268	553,632
Number of affiliated companies at March 31				
In Japan	43	18	18	
Outside Japan	30	9	9	
Total	73	27	27	

The aggregate carrying amount and market value of investments in affiliates for which a quoted market price is available as at March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Carrying amount	¥11,742	¥8,248	$100,359
Market value	15,533	8,770	132,761

9 INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities included in short-term investments (current assets) and in investments and advances – other (non-current assets) at March 31, 2006 and 2005 are summarized as follows:

	Millions of Yen							
	2006				2005			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale								
Debt securities	¥ 6,225	¥ 6,421	¥ 237	¥ 41	¥ 13,873	¥ 13,979	¥ 185	¥ 79
Equity securities	45,988	67,537	22,941	1,392	89,700	109,739	25,097	5,058
	52,213	73,958	23,178	1,433	103,573	123,718	25,282	5,137
Held-to-maturity								
Debt securities	5,132	4,868	0	264	26,600	26,268	0	332
	5,132	4,868	0	264	26,600	26,268	0	332
Total investments in debt and equity securities	¥ 57,345	¥ 78,826	¥ 23,178	¥ 1,697	¥130,173	¥149,986	¥25,282	¥5,469

	Thousands of U.S. Dollars			
	2006			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale				
Debt securities	$ 53,205	$ 54,880	$ 2,026	$ 350
Equity securities	393,060	577,239	196,077	11,898
	446,265	632,119	198,103	12,248
Held-to-maturity				
Debt securities	43,863	41,607	0	2,256
	43,863	41,607	0	2,256
Total investments in debt and equity securities	$490,128	$673,726	$198,103	$14,504

Contractual maturities of investments in debt securities classified as available-for-sale securities and held-to-maturity securities at March 31, 2006 are summarized as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Available-for-sale		Held-to-maturity		Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	¥ 0	¥ 0	¥1,115	¥1,115	$ 0	$ 0	$ 9,530	$ 9,530
Due after 1 year through 5 years	0	0	1,175	1,168	0	0	10,043	9,983
Due after 5 years	6,225	6,421	2,842	2,585	53,205	54,880	24,290	22,094
	¥6,225	¥6,421	¥5,132	¥4,868	$53,205	$54,880	$43,863	$41,607

The proceeds from the sale of available-for-sale securities for the years ended March 31, 2006, 2005 and 2004 were ¥99,837 million (US$853,308 thousand), ¥34,936 million and ¥41,295 million, respectively. The gross realized gains and losses on those sales were ¥38,613 million (US$330,026 thousand) and ¥1,230 million(US$10,513 thousand), respectively, for the year ended March 31, 2006, ¥10,921 million and ¥11 million, respectively, for the year ended March 31, 2005, and ¥13,134 million and ¥785 million, respectively, for the year ended March 31, 2004.

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2006, are as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Less than 12 Months		12 Months or More		Less than 12 Months		12 Months or More	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale:								
Debt securities	¥ 1,016	¥ 41	¥ —	¥ —	$ 8,684	$ 350	$ —	$ —
Equity securities	4,603	752	2,238	640	39,342	6,428	19,128	5,470
	5,619	793	2,238	640	48,026	6,778	19,128	5,470
Held-to-maturity:								
Debt securities	2,136	264	—	—	18,256	2,256	—	—
	2,136	264	—	—	18,256	2,256	—	—
Total investments in debt and equity securities	¥ 7,755	¥ 1,057	¥ 2,238	¥ 640	$ 66,282	$ 9,034	$ 19,128	$ 5,470

The aggregate cost of non-marketable equity securities accounted for using cost method totaled ¥12,912 million (US$110,359 thousand) and ¥20,246 million at March 31, 2006 and 2005, respectively. Sanyo did not identify any events or changes in circumstances that might have had significant adverse effect on the fair value of those investments.

10 ASSETS AND LIABILITIES HELD FOR SALE

For the year ended March 31, 2006, the following assets held for sale are included in Property, plant and equipment:

Area	Location	Carrying Amount: Millions Of Yen	Carrying Amount: Thousand of U.S. dollars	Description
Ashikaga site	Ashikaga City, Tochigi Pref.	¥1,470	$12,564	Land and Buildings
Hojo factory	Kasai City, Hyogo Pref.	455	3,889	Land and Buildings
Sales offices	Nishi-ku Hiroshima City, Hiroshima Pref.	1,383	11,821	Land and Buildings

In October 2003, the land and building in Ashikaga area has been idled after the closure of Ashikaga factory. The Company intended to use these assets for other purpose but has not found suitable alternative uses. Accordingly, the Company decided to sale these assets to a third party during the next fiscal year.

For assets in the Hojo area, the Company has decided to sell to a third party as a result of transfer of production to the Tokonabe factory.

Also, for sales offices and other properties, based on Medium-term Management Plan, the Company will sell them during the next fiscal year to enhance "selection and concentration".

The Comany completed the evaluation of the carrying amount of these assets and as a result, recorded impairment losses of ¥ 3,634 million (US$ 31,060 thousand). The impairment losses are included in "Other expense" in the consolidated statements of operations (Note 25).

Sales of a subsidiary

On March 1, 2006, as a part of the restructuring activities in AV business based on Medium-term Management Plan, the Company decided to sell 90% of its shares in SANYO MAVIC MEDIA Co., Ltd. ("SMM") to BMB Corp. which is a company of the USEN group. SMM had been engaged in the manufacturing of optical discs and multimedia systems for Karaoke system but the Company considered it to be the best way for the continuous growth of the business to sell to a company which has common vision in the business. The sale was completed on April 21, 2006. The Company received proceeds of ¥1,350 million (US$ 11,538 thousand) and will record a gain of ¥ 1,244 million (US$ 10,632 thousand) in the year ending March 31, 2007.

As a result, the Company's ratio of the stockholdings is 10% and SMM will not be consolidated.

Also, the Company and Toemi Media Solutions, Ltd. ("TMS"), a major company in the optical discs manufacturing industry, reached an agreement that SMM will transfer its optical business to TMS. The transfer was completed on April 21, 2006.

As of March 31, 2006, assets and liabilities held for sale by sale of SMM are as follows:

Assets held for sale

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 4,455	$ 38,077
Other assets	294	2,513
Total	¥ 4,749	$ 40,590

Liabilities held for sale

	Millions of Yen	Thousands of U.S. Dollars
Current liabilities	¥ 4,622	$ 39,504
Long-term debt	3	26
Total	¥ 4,625	$ 39,530

11 LEASES

Sanyo have capital and operating leases for certain machinery, equipment and office space. At March 31, 2006 and 2005, the gross amount of machinery and equipment recorded under capital leases was ¥73,813 million (US$630,880 thousand) and ¥40,609 million, and the related accumulated depreciation was ¥43,053 million (US$367,974 thousand) and ¥26,771 million, respectively. Minimum lease payments for operating leases were ¥1,846 million (US$15,778 thousand) and ¥3,833 million for the years ended March 31, 2006 and 2005, respectively.

Future minimum lease payments under non-cancelable capital leases and operating leases at March 31, 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Years ending March 31	Capital Leases	Operating Leases	Capital Leases	Operating Leases
2007	¥ 12,583	¥ 2,475	$ 107,547	$ 21,154
2008	11,888	1,415	101,607	12,094
2009	3,270	669	27,949	5,718
2010	2,637	377	22,538	3,222
2011	3,069	230	26,231	1,966
Thereafter	2,102	—	17,966	—
Total minimum lease payments	35,549	¥ 5,166	303,838	$ 44,154
Less amount representing interest	1,963		16,778	
Present value of net minimum lease payments	33,586		287,060	
Less current portion	12,183		104,128	
Long-term capital lease obligations	¥ 21,403		$ 182,932	

12 GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the years ended March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Balance at beginning of year	**¥ 2,641**	¥ 9,431	**$ 22,573**
Goodwill acquired during the year	**—**	—	**—**
Impairment loss	**—**	6,790	**—**
Balance at end of year	**¥ 2,641**	¥ 2,641	**$ 22,573**

During the year ended March 31, 2005, Sanyo performed the annual impairment test for goodwill and recorded an impairment loss of ¥6,790 million in the Consumer business segment and the Component business segment. This impairment charge reflected the overall decline in the fair value of subsidiaries within the Consumer business segment and the Component business segment. The fair value of that reporting unit was estimated principally using the expected present value of future cash flows.

Intangible assets not subject to amortization principally consist of land leaseholds and rights of telephone at March 31, 2006 and 2005 of ¥2,792 million (US$23,863 thousand) and ¥1,119 million, respectively.

Intangible assets excluded goodwill subject to amortization at March 31, 2006 and 2005 are as follows:

	Millions of Yen			
	2006		2005	
	Gross Carrying Amounts	Accumulated Amortization	Gross Carrying Amounts	Accumulated Amortization
Software	¥ 46,668	¥ 27,225	¥ 54,370	¥ 25,047
Other	1,984	739	3,328	1,676
Total	¥ 48,652	¥ 27,964	¥ 57,698	¥ 26,723

	Thousands of U.S. Dollars	
	2006	
	Gross Carrying Amounts	Accumulated Amortization
Software	$398,872	$232,692
Other	16,957	6,316
Total	$415,829	$239,008

Aggregate amortization expense for the years ended March 31, 2006, 2005, and 2004 was ¥8,008 million (US$68,444 thousand), ¥9,856 million, and ¥6,256 million, respectively. Estimated amortized expense for the next five years ending March 31 is ¥5,840 million in 2007, ¥4,323 million in 2008, ¥2,742 million in 2009, ¥955 million in 2010, and ¥386 million in 2011.

13 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans, which are principally uncollateralized, include bank overdrafts and trade acceptances payable of foreign subsidiaries. The amount of unused lines of credit was approximately ¥657,000 million (US$5,615,385 thousand) at March 31, 2006.

Short-term borrowings at March 31, 2006 and 2005 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Short-term bank loans with weighted average interest rate of 2.21% and 1.08% at March 31, 2006 and March 31, 2005, respectively	¥264,441	¥ 370,531	$2,260,179
Commercial paper with weighted average interest rate of 0.07% at March 31, 2005	—	38,000	—
	¥264,441	¥ 408,531	$2,260,179

Long-term debt at March 31, 2006 and 2005 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Loans, principally from banks and insurance companies, due 2006 to 2019 with interest rates ranging from 0% to 9.50% at Mach 31, 2006, and due 2005 to 2019 with interest rates ranging from 0% to 9.50% at March 31, 2005:			
Collateralized (a)	¥ 871	¥ 812	$ 7,445
Uncollateralized (b)	331,560	489,395	2,833,847
Uncollateralized convertible euroyen bonds:			
0% bonds issued by a consolidated subsidiary due March 2009	—	4,322	—
Uncollateralized bonds (c):			
3.10% bonds due May 2007	20,000	20,000	170,940
3.35% bonds due May 2009	30,000	30,000	256,410
1.925% bonds due June 2005	—	20,000	—
2.325% bonds due June 2008	20,000	20,000	170,940
1.33% bonds due August 2005	—	20,000	—
1.82% bonds due August 2007	30,000	30,000	256,410
0.78% bonds due May 2007	30,000	30,000	256,410
1.25% bonds due May 2009	20,000	20,000	170,940
0.53% bonds due June 2010	20,000	20,000	170,940
0.82% bonds due June 2013	10,000	10,000	85,471
1.52% bonds due August 2011	30,000	30,000	256,410
2.02% bonds due August 2014	30,000	30,000	256,410
2.40% bonds issued by a consolidated subsidiary due June 2005	—	5,000	—
2.00% bonds issued by a consolidated subsidiary due November 2006	—	5,000	—
2.00% bonds issued by a consolidated subsidiary due November 2006	—	5,000	—
2.42% bonds issued by a consolidated subsidiary due March 2010	—	15,000	—
1.03% bonds issued by a consolidated subsidiary due March 2009	—	10,000	—
0.79% bonds issued by a consolidated subsidiary due September 2005	—	3,000	—
1.04% bonds issued by a consolidated subsidiary due October 2008	2,000	—	17,094
0.39% bonds issued by a consolidated subsidiary due March 2006	—	1,000	—
1.20% bonds issued by a consolidated subsidiary due August 2009	300	300	2,564
	574,731	818,829	4,912,231
Less: amount due within one year	74,297	139,101	635,017
	¥500,434	¥ 679,728	$4,277,214

(a) These loans are collateralized by property, plant and equipment belonging to the Company's subsidiaries with a book value of ¥2,468 million (US$21,094 thousand).
(b) Substantially all of the uncollateralized loan agreements permit the lender to require collateral or guarantors for such loans.
(c) The Company and certain subsidiaries may not pledge their property or assets for any future borrowings without granting the same or equivalent collateral to the bondholders.

The aggregate annual maturities of long-term debt at March 31, 2006 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 160,322	$ 1,370,274
2009	61,522	525,829
2010	98,081	838,299
2011	30,659	262,043
2012 and thereafter	149,850	1,280,769
	¥ 500,434	$ 4,277,214

Financial covenant

In our syndicated loan agreement, the outstanding balance of which loan is ¥100,000 million (US$854,701 thousand) at March 31, 2006, the Company commits to maintain at least BBB– rating of long term debt rated by either "Rating and Investment Information, Inc." or "Japan Credit Rating Agency, Ltd.." If the commitment is violated, the Company must repay the loan on the request of creditors.

In the loan commitment agreement, the amount utilized is ¥— million (US$— thousand), the balance available is ¥100,000 million (US$854,701 thousand), the Company commits to maintain at least BBB– rating of long term debt rated by either "Rating and Investment Information, Inc." or "Japan Credit Rating Agency, Ltd.." If the commitment is violated, the Company must repay the loan on the request of creditors and obligation of the creditors to provide loan to the Company is exempted.

14 SEVERANCE AND PENSION PLANS

Employees who terminate their service with the Company or its principal domestic subsidiaries are, under most circumstances, entitled to lump-sum payments or an annuity determined by reference to current basic rates of pay, retirement benefits points, length of service and conditions under which the terminations occur.

In the fiscal year ended March 31, 2006, Sanyo aimed to reduce approximately 10,000 employees within a year in order to recover profitability by reform plan based on "SANYO EVOLUTION PROJECT". The Company achieved the aim by reducing workforce mainly in semiconductor business and electrical device business and by the deconsolidation of SANYO Electric Credit Co., Ltd..

The Company and its principal subsidiaries also provide retirement benefits for their directors which amount is ¥1,506 million (US$ 12,872 thousand).

Some subsidiaries in the U.S. adopt defined contribution pension plan in order to provide retirement benefits.

Some subsidiaries in overseas adopt defined benefit pension plan and its projected benefit obligation, provision and plan assets are ¥12,066 million (US$103,128 thousand), ¥4,331 million (US$37,017 thousand) and ¥5,176 million (US$44,239 thousand) respectively.

As a result of partial closure of a factory of a domestic subsidiary in semiconductor business, the subsidiary had a curtailment of its benefit plan and recorded additional provision and actuarial losses of ¥135 million (US$ 1,154 thousand) and ¥135 million (US$1,154 thousand) respectively. Retirement benefits to the employee are estimated ¥1,010 million (US$ 8,632 thousand) will be paid in next fiscal year.

Severance and pension costs of the Company and its principal domestic subsidiaries include the following components for the years ended March 31, 2006, 2005 and 2004:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2005	2004	**2006**
Service cost	**¥ 14,313**	¥ 15,351	¥ 17,363	**$122,334**
Interest cost	**11,974**	13,496	17,902	**102,342**
Expected return on plan assets	**(4,691)**	(4,763)	(6,567)	**(40,094)**
Amortization:				
Net transition obligation at date of adoption	**549**	824	824	**4,692**
Prior service cost	**(1,844)**	(1,844)	(1,844)	**(15,761)**
Actuarial losses	**12,627**	10,177	14,648	**107,923**
Net periodic benefit cost	**¥ 32,928**	¥ 33,241	¥ 42,326	**$281,436**

Assumptions used in determining the net periodic benefit cost for the years ended March 31, 2006, 2005 and 2004 are as follows:

	2006	2005	2004
Discount rate	2.0-2.5%	2.0-3.0%	2.0-3.0%
Long-term rate of salary increase	3.4%	3.1%	2.9%
Long-term rate of return on fund assets	2.0-3.0%	2.0-3.0%	2.0-3.0%

The long-term rate of return on fund assets is based on the projected and actual return on each pension fund.

The following table sets forth the changes in benefit obligation, plan assets and funded status at March 31, 2006 and 2005:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Change in benefit obligation:			
Benefit obligation at beginning of year	¥494,299	¥462,733	$4,224,778
Divestitures	(12,362)	—	(105,658)
Service cost	14,313	15,351	122,333
Interest cost	11,974	13,496	102,342
Plan participants' contributions	441	485	3,769
Actuarial losses	21,098	31,691	180,325
Benefits paid	(47,884)	(29,457)	(409,265)
Benefit obligation at end of year	481,879	494,299	4,118,624
Change in plan assets:			
Fair value of plan assets at beginning of year	192,195	177,342	1,642,692
Divestitures	(5,501)	—	(47,017)
Actual return on plan assets	26,976	7,891	230,564
Employer contributions	21,876	22,205	186,974
Plan participants' contributions	441	485	3,769
Benefits paid	(18,426)	(15,728)	(157,487)
Fair value of plan assets at end of year	217,561	192,195	1,859,495
Funded status:			
Benefit obligation in excess of plan assets	264,318	302,104	2,259,128
Unrecognized net transition obligation at date of adoption	(3,169)	(549)	(27,085)
Unrecognized prior service cost	29,675	31,519	253,632
Unrecognized actuarial loss	(194,672)	(211,063)	(1,663,863)
Net amount recognized	96,152	122,011	821,812
Reconciliation to accrued pension liability:			
Minimum pension liability included in accumulated other comprehensive income, before tax	84,980	92,783	726,325
Accrued pension liability recognized in the consolidated balance sheets	¥181,132	¥214,794	$1,548,137

The measurement dates of the retirement benefit obligation and fund assets as of March 31, 2006 and 2005 are December 31, 2005 and 2004, respectively.

Assumptions used in accounting for the retirement benefit obligations as of March 31, 2006 and 2005 are as follows:

	2006	2005
Discount rate	2.0-3.0%	2.0-2.5%
Long-term rate of salary increase	2.6%	3.4%

Accumulated benefit obligations at March 31, 2006 and 2005 are ¥398,693 million (US$3,407,632 thousand) and ¥403,530 million, respectively. There is no pension fund in which the fair value of fund assets exceeds the accumulated benefit obligation. The estimated contribution amount to fund assets by the Company and its principal subsidiaries for the year ending March 31, 2007 is ¥22,600 million (US$193,162 thousand).

Future benefit payments are expected as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥ 28,000	$ 239,316
2008	29,600	252,991
2009	30,800	263,247
2010	27,800	237,607
2011	28,300	241,880
2012 - 2016	126,900	1,084,615

As of March 31, 2006 and 2005, the Company and its principal subsidiaries' fund assets consist of the following components:

	2006	2005
Equity securities	**53%**	43%
Debt securities	**14%**	19%
General accounts of life insurance company	**13%**	19%
Others	**20%**	19%
	100%	100%

Sanyo's investment policy to fund assets is to secure pension assets so that it can ensure to grant pensions to beneficiaries in the future.

Fund assets are employed by taking into consideration the long-term rate of return, based on the most suitable combination of basic portfolio, i.e., equity securities or debt securities.

The basic portfolio is made by the mid-long term point of view. If amendment is needed to achieve the long-term rate of return, Sanyo reexamines the basic portfolio as necessary.

15 STOCK OPTION PLANS

The Company has three stock option plans to provide for grants of options to purchase shares of common stock for all its directors and certain key employees. During the settlement term ending March 2005, 2004, and 2003, Stock Incentive Plan authorizes the issuance of options to purchase up to 3,600,000, 2,500,000 and 1,800,000 shares of common stock, respectively. The options granted are vested over two years and are exercisable over a maximum of two years after the options are vested.

A summary of stock option plan activity for the years ended March 31, 2006, 2005 and 2004 are as follows:

	Number of Options (shares)	Weighted Average Exercise Price	
		Yen	U.S. Dollars
Options outstanding at March 31, 2003	3,534,000	¥ 757	
Granted	2,409,000	481	
Exercised	—	—	
Canceled	—	—	
Options outstanding at March 31, 2004	5,943,000	645	
Granted	3,094,000	455	
Exercised	—	—	
Canceled	—	—	
Expired	(1,029,000)	977	
Options outstanding at March 31, 2005	8,008,000	529	
Granted	—	—	—
Exercised	—	—	—
Canceled	—	—	—
Expired	(1,012,000)	826	7.06
Options outstanding at March 31, 2006	**6,996,000**	**¥ 486**	**$ 4.15**
Options exercisable :			
At March 31, 2004	**2,041,000**	**¥ 902**	**$ 7.71**
At March 31, 2005	**2,505,000**	**666**	**5.69**
At March 31, 2006	**3,902,000**	**510**	**4.36**

The following table summarizes information about stock options outstanding at March 31, 2006:

Range of Exercise Prices	Weighted Average Remaining Contractual Life
¥455 to ¥558	1.4 years

16 COMMITMENTS AND CONTINGENT LIABILITIES

Sanyo's future minimum lease payments for non-cancelable operating lease as of March 31, 2006 are ¥5,166 million (US$44,154 thousand). (Note 11)

Commitments outstanding at March 31, 2006 for the purchase of property, plant and equipment approximated ¥5,062 million (US$43,265 thousand).

In Component business segment, the Company entered into a purchase agreement, in which it continues to buy a certain material for ten years from January 2006. In accordance with this agreement, the Company will buy the material amounted to approximately ¥13,629 million (US$116,487 thousand) in total during the ten years. Among them, it prepaid ¥686 million (US$5,863 thousand) by the end of March 2006 and bought it amounted to ¥125 million (US$1,068 thousand) for the year ended March 31, 2006.

Contingent liabilities at March 31, 2006 for notes discounted in the ordinary course of business and other loans guaranteed amounted to ¥1,922 million (US$16,427 thousand) and ¥25,343 million (US$216,607 thousand), respectively. No material loss is anticipated by management as a result of these discounted notes and guaranteed loans.

Sanyo guarantees the quality or performance of its products and services for a certain period. The movement in the provision for warranty costs for the years ended March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Balance at beginning of year	**¥ 5,538**	¥ 5,231	**$ 47,333**
Provision for the warranty costs added during the period	**4,407**	4,709	**37,667**
Warranty paid during the period	**(5,236)**	(4,425)	**(44,752)**
Adjustment	**157**	23	**1,342**
Balance at end of year	**¥ 4,866**	¥ 5,538	**$ 41,590**

Sanyo is defendants in several lawsuits. In the opinion of management, these lawsuits are without merit and will not materially affect Sanyo's operations, financial position or cash flows.

17 FINANCIAL INSTRUMENTS

Sanyo used the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such a value:

(a) Cash and cash equivalents, trade and finance receivables, short-term borrowings, current portion of long-term debt and trade payables

The carrying amount approximates fair value because of the short maturities of these instruments.

(b) Short-term investments

The fair value of short-term investments is based on quoted market prices. (Note 9)

(c) Investments and advances

The fair value of certain investments is based on quoted market prices. For other investments which have no quoted market prices, a reasonable estimate of fair value cannot be made without incurring excessive costs. (Note 9)

(d) Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using an appropriate current discount rate.

(e) Foreign currency exchange forward contracts

The fair value of foreign currency exchange forward contracts is estimated by obtaining quotes from brokers.

(f) Interest rate and currency swap agreements

The fair value of interest rate and currency swap agreements is estimated based on discounted cash flows using current interest and exchange rates.

Sanyo does not hold or issue any financial instruments for trading purposes.

Although Sanyo may be exposed to losses in the event of nonperformance by counterparties or interest and currency fluctuations, it does not anticipate significant losses from the arrangements previously described.

The estimated fair values of financial instruments as of March 31, 2006 and 2005 are as follows:

	Millions of Yen					
	2006			2005		
	Notional Amount	Carrying Amount	Fair Value	Notional Amount	Carrying Amount	Fair Value
Long-term debt	¥ —	¥ **500,434**	¥ **494,761**	¥ —	¥679,728	¥689,992
Foreign currency forward contracts-selling	**96,319**	**(331)**	**(331)**	162,072	(2,192)	(2,192)
Foreign currency forward contracts-buying	**21,999**	**(492)**	**(492)**	11,947	(103)	(103)
Currency option contracts-selling	—	—	—	1,374	(73)	(73)
Currency option contracts-buying	—	—	—	343	0	0
Interest rate and currency swap	**35,966**	**36**	**36**	263,907	(1,320)	(1,320)

	Thousands of U.S. Dollars		
	2006		
	Notional Amount	Carrying Amount	Fair Value
Long-term debt	$ —	$4,277,214	$4,228,726
Foreign currency forward contracts-selling	823,239	(2,829)	(2,829)
Foreign currency forward contracts-buying	188,026	(4,205)	(4,205)
Currency option contracts-selling	—	—	—
Currency option contracts-buying	—	—	—
Interest rate and currency swap	307,402	308	308

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to develop estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that could be realized in the current market. The use of different market assumptions or valuation methodologies may have an effect on the estimated fair value amounts.

18 DERIVATIVES

Risk management policy

Sanyo operates, manufactures and sells electronic products and provides certain financial services in various locations around the world. Sanyo's activities expose it mainly to risks related to the effects of changes in foreign currency exchange rates and interest rates. Derivatives are held in accordance with the formally documented risk management program. Sanyo utilizes certain derivatives to manage its foreign currency and interest risk exposure, including forecasted transactions. Sanyo holds derivatives for purposes other than trading.

Foreign currency exchange risk management

Sanyo maintains a foreign-currency risk management strategy in which derivatives are used to minimize exposure and to reduce risk from exchange rate fluctuations. Foreign currency forward contracts and foreign currency swaps are not designated, and do not qualify, as hedges since they do not meet the requirements for hedge accounting. Changes in the fair value of these contracts and the foreign currency translation gain or loss arising from assets and liabilities denominated in foreign currencies are reported as a component of other income and expense in the consolidated statements of operations.

Interest rate risk management

Sanyo maintains an interest rate risk management strategy in which derivatives are used to reduce risk from interest rate fluctuations. Sanyo's goals are to manage interest rate sensitivity by modifying the characteristics of its debt and to lower the cost of its borrowing rates where possible.

Fair value hedges

Sanyo uses interest rate swaps to convert a portion of its nonprepayable fixed-rate debt into floating-rate debt. The resulting cost of funds is lower than it would be if floating-rate debt were issued directly. Under an interest rate swap contract, Sanyo agrees with other parties to exchange the difference between fixed-rate and floating-rate interest amounts calculated based on an agreed-upon notional amount.

The fair value of derivatives and changes in the fair value of the underlying hedged items are reported in the consolidated balance sheets. Changes in the fair value of these derivatives and underlying hedged items are generally offset and are recorded in each period as interest expense. There were no transactions that ceased to qualify as fair value hedges during the year ended March 31, 2006. The ineffective portion of hedges generally offset and recorded as interest expense in the current period was not material.

Cash flow hedges

Sanyo has entered into pay fixed, receive floating interest rate swaps to hedge the interest rate exposure of future interest payments.

For these cash flow hedge transactions, the fair values of the derivatives are recorded in the consolidated balance sheets. The effective portion of changes in the fair values of these derivatives are first recorded in other comprehensive loss and are then reclassified as interest expense in the period in which earnings are impacted by the hedged items. There were no transactions that ceased to qualify as cash flow hedges during the year ended March 31, 2006. The ineffective portion of hedges recorded as interest expense in the current period was not material.

19 STOCKHOLDERS' EQUITY

The Code provides that an amount equivalent to at least 10% of cash appropriations of retained earnings be appropriated as a legal reserve until the aggregated amount of additional paid-in capital and the legal reserve equal 25% of a company's stated capital. The legal reserve of Sanyo, amounting to ¥36,990 million (US$316,154 thousand) and ¥36,736 million, respectively, was included in retained earnings at March 31, 2006 and 2005.

20 PREFERRED STOCK

On January 25, 2006, the Company completed a stock subscription agreement with Daiwa Securities SMBC Principal Investments Co. Ltd., Goldman Sachs Group and Sumitomo Mitsui Banking Corporation for the purpose of further accelerating and driving forward with structural reforms and conducting the capital investment necessary for a growth strategy centered on the future core businesses.

At the extraordinary stockholders' meeting held on February 24, 2006, the issuance of 182,600,000 shares of Series 1 Class A Preferred Stock and of 246,100,000 shares of Series 1 Class B Preferred Stock was approved. On March 14, 2006, the Company issued 182,542,200 shares of Series 1 Class A Preferred Stock and of 246,029,300 shares of Series 1 Class B Preferred Stock whose issue price was ¥ 700 (US$5.98) each. Total issue amount was ¥ 127,780 million (US$1,092,137 thousand) for Class A and ¥ 172,220 million (US$ 1,471,966 thousand) for class B, respectively.

The terms of the preferred stock are as follows:

Series 1 Class A Preferred Stock

1) A share of the Series 1 Class A Preferred Stock (issue price being ¥ 700 (US$5.98)) has a right to convert the share into ten shares of common stock of the Company (conversion ratio being 1:10), during the period from March 14, 2007 to March 13, 2026. Therefore, each share of the Series 1 Class A Preferred Stock may be converted into ten shares of common stock.
2) The dividends and interim dividends for the Series 1 Class A Preferred Stock shall be paid in the same priority as to the common stockholders and other classified stockholders. The amount shall be obtained by multiplying the dividend amount or the interim dividend amount per share of common stock by the conversion rate then in effect as described in the above 1.
3) In the case of the distribution of residual assets, for each share of the Series 1 Class A Preferred Stock ¥ 700 (US$5.98) shall be paid to the holders of the Series 1 Class A Preferred Stock in preference to the common stockholders.
4) The Series 1 Class A Preferred Stock shall have voting rights at a Stockholders Meetings.
5) The number of shares of the Series 1 Class A Preferred Stock constituting a new unit of shares is 100, which is one-tenth of the number of shares of common stock constituting a new unit of shares (1,000).

Series 1 Class B Preferred Stock

1) A share of the Series 1 Class B Preferred Stock (issue price being ¥ 700 (US$5.98)) has a right to convert the share into ten shares of common stock of the Company (conversion ratio being 1:10), during the period from the day immediately after the Payment Date to March 13, 2026. Therefore, each share of the Series 1 Class B Preferred Stock may be converted into ten shares of common stock.
2) The dividends and interim dividends for the Series 1 Class B Preferred Stock shall be paid in the same priority as to the common stockholders and other classified stockholders. The amount shall be obtained by multiplying the dividend amount or the interim dividend amount per share of common stock by the conversion rate then in effect as described in the above 1.
3) In the case of the distribution of residual assets, for each share of the Series 1 Class B Preferred Stock ¥ 700 (US$5.98) shall be paid to the holders of the Series 1 Class B Preferred Stock in preference to the common stockholders.
4) The Series 1 Class B Preferred Stock shall not have voting rights at a Stockholders Meetings unless otherwise stipulated by law.
5) The number of shares of the Series 1 Class B Preferred Stock constituting a new unit of shares is 100, which is one-tenth of the number of shares of common stock constituting a new unit of shares (1,000).

In accordance with SFAS No. 150 'Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity', the Company analyzed and classified the preferred stock as equity since the preferred stock does not embody mandatorily redeemable feature, is not an financial instrument other than its outstanding stocks to require to repurchase its equity stocks and transfer its assets to settle the obligation, nor carry any unconditional obligation to issue a variable number of its common stock.

In addition, Sanyo recorded Beneficial Conversion Features ("BCF") on the preferred stock calculated using the intrinsic value method as a discount to the preferred stock carrying value and amortized over the period from the date the preferred stock was issued to the first conversion date based on Emerging Issue Task Force ("EITF") Issue No. 98-05, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios" and EITF Issue No. 00-27 "Application of Issue No. 98-5 to Certain Convertible Instruments."

After the recognition and amortization of the BCF, the Company recorded preferred stock amounted to ¥89,086 million (US$761,418 thousand)【Series 1 Class A preferred stock: ¥2,976 million (US$25,435 thousand) and Series 1 Class B preferred stock: ¥86,110 million (US$735,983 thousand)】

21 INCOME TAXES

Sanyo is subject to a number of different income taxes which, in aggregate, result in a statutory income tax rate in Japan of approximately 40.5% for the year ended March 31, 2006 and 2005 and 42% for the year ended March 31, 2004.

The significant components of deferred income tax assets and deferred income tax liabilities at March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Deferred income tax assets:			
Accrued pension and severance costs	¥ 34,121	¥ 77,434	$ 291,632
Accrued expenses	6,641	25,410	56,761
Operating loss carryforwards	117,993	79,640	1,008,487
Inventories	21,801	8,870	186,333
Allowance for doubtful accounts	10,050	12,198	85,897
Property, plant and equipment	40,852	19,741	349,162
Enterprise taxes	598	898	5,111
Long-term investments	4,964	346	42,427
Other	10,076	31,682	86,122
Gross deferred income tax assets	247,096	256,219	2,111,932
Less valuation allowance	(225,656)	(197,314)	(1,928,684)
Total deferred income tax assets	21,440	58,905	183,248
Deferred income tax liabilities:			
Deferred income	—	(5,422)	—
Other	(2,218)	(3,060)	(18,957)
Gross deferred income tax liabilities	(2,218)	(8,482)	(18,957)
Net deferred income tax assets	¥ 19,222	¥ 50,423	$ 164,291

Reconciliations of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2006, 2005 and 2004 are as follows:

	2006	2005	2004
Statutory income tax rate	40.5%	40.5%	42.0%
(Decrease) increase in taxes resulting from:			
Change in valuation allowance	(64.7)	(197.5)	10.8
Effect of change in statutory tax rate	—	—	4.4
Expenses not deductible for tax purposes	(2.7)	(0.4)	0.3
Tax credits	0.1	0.2	(1.2)
Differences in statutory tax rates of foreign subsidiaries	1.0	4.8	(7.4)
Other	2.7	0.2	14.6
Effective income tax rate	(23.1)%	(152.2)%	63.5%

Net changes in the total valuation allowance for the years ended March 31, 2006 and 2005 were an increase of ¥28,342 million (US$242,239 thousand) and an increase of ¥169,473 million, respectively.

Operating loss carryforwards at March 31, 2006 amounted to approximately ¥306,907 million (US$2,623,137 thousand) and are available for offset against future taxable income. These will expire mainly in the periods from ending March 31, 2007, through 2013. But operating loss carryforwards of ¥39,326 million (US$336,120 thousand) recorded in subsidiaries which are in Germany, Singapore, Hong Kong, Malaysia, England, Hungary and Brazil will not expire.

22 RESEARCH AND DEVELOPMENT, SHIPPING AND HANDLING, AND ADVERTISING EXPENSES

Research and development expenses for the years ended March 31, 2006, 2005, and 2004 are ¥126,767 million (US$1,083,479 thousand), ¥131,828 million and ¥125,206 million, respectively.

Shipping and handling expenses which are included in selling, general and administrative expenses for the years ended March 31, 2006, 2005 and 2004 are ¥37,887 million (US$323,821 thousand), ¥52,066 million and ¥45,042 million, respectively.

Advertising expenses which are included in selling, general and administrative expenses for the years ended March 31, 2006, 2005, and 2004 were ¥17,872 million (US$152,752 thousand), ¥14,848 million and ¥15,817 million, respectively.

23 (LOSS) INCOME PER SHARE

(Loss) income per share for the years ended March 31, 2006, 2005 and 2004 are as follows:

	Millions of Yen 2006	2005	2004	Thousands of U.S. Dollars 2006
Basic (loss) income per share calculation:				
(Loss) income (numerator) :				
Net (loss) income from continuing operation	¥ (200,330)	¥ (172,906)	¥ 12,262	$(1,712,222)
Amount allocated to participating preferred stockholders	(20,494)	—	—	(175,162)
Amortization of Beneficial Conversion Feature	(176,948)	—	—	(1,512,376)
(Loss) income available to common stockholders	¥ (356,784)	¥ (172,906)	¥ 12,262	$(3,049,436)
Net (loss) income from discontinued operation	¥ (5,331)	¥ 1,362	¥ 1,138	$ (45,564)
Amount allocated to participating preferred stockholders	(546)	—	—	(4,667)
(Loss) income available to common stockholders	¥ (4,785)	¥ 1,362	¥ 1,138	$ (40,897)
Net (loss) income	¥ (205,661)	¥ (171,544)	¥ 13,400	$(1,757,786)
Amount allocated to participating preferred stockholders	(21,040)	—	—	(179,829)
Amortization of Beneficial Conversion Feature	(176,948)	—	—	(1,512,376)
(Loss) income available to common stockholders	¥ (361,569)	¥ (171,544)	¥ 13,400	$(3,090,333)
Shares, thousands (denominator):				
Weighted average number of shares	1,854,591	1,854,947	1,855,193	
Basic (loss) income per share (Yen and U.S. dollars):				
Net (loss) income from continuing operation	¥ (192.4)	¥ (93.2)	¥ 6.6	$ (1.644)
Net (loss) income from discontinued operation	(2.6)	0.7	0.6	(0.022)
Net (loss) income	¥ (195.0)	¥ (92.5)	¥ 7.2	$ (1.666)
Diluted (loss) income per share calculation:				
(Loss) income (numerator) :				
Net (loss) income from continuing operation	¥ (200,330)	¥ (172,906)	¥ 12,262	$(1,712,222)
Amount allocated to participating preferred stockholders	(20,494)	—	—	(175,162)
Amortization of Beneficial Conversion Feature	(176,948)	—	—	(1,512,376)
(Loss) income available to common stockholders	¥ (356,784)	¥ (172,906)	¥ 12,262	$(3,049,436)
Net (loss) income from discontinued operation	¥ (5,331)	¥ 1,362	¥ 1,138	$ (45,564)
Amount allocated to participating preferred stockholders	(546)	—	—	(4,667)
(Loss) income available to common stockholders	¥ (4,785)	¥ 1,362	¥ 1,138	$ (40,897)
Net (loss) income	¥ (205,661)	¥ (171,544)	¥ 13,400	$(1,757,786)
Amount allocated to participating preferred stockholders	(21,040)	—	—	(179,829)
Amortization of Beneficial Conversion Feature	(176,948)	—	—	(1,512,376)
(Loss) income available to common stockholders	¥ (361,569)	¥ (171,544)	¥ 13,400	$(3,090,333)
Shares, thousands (denominator):				
Weighted average number of shares	1,854,591	1,854,947	1,855,193	
Assume exercise of stock options	—	—	100	
Adjusted weighed average number of shares	1,854,591	1,854,947	1,855,293	
Diluted (loss) income per share (Yen and U.S. dollars):				
Net (loss) income from continuing operation	¥ (192.4)	¥ (93.2)	¥ 6.6	$ (1.644)
Net (loss) income from discontinued operation	(2.6)	0.7	0.6	(0.022)
Net (loss) income	¥ (195.0)	¥ (92.5)	¥ 7.2	$ (1.666)

The calculation of the weighted average number of shares for diluted income per share for the years ended March 31, 2005 and 2004 don't include incremental shares of 32,109 thousand and 48,164 thousand , respectively, from assumed conversions of convertible bonds since their effects were antidilutive.

24 VARIABLE INTEREST ENTITIES

A consolidated subsidiary in financial services business made investments in equity to two entities in investment fund . These entities in investment fund were determined to be Variable Interest Entities ("VIEs") under FIN46R. As of March 31, 2006, the consolidated subsidiary invested and committed ¥4,500 million (US$38,462 thousand) in equity to the VIEs. Risks the consolidated subsidiary was exposed to were limited to the investments and commitment in equity. The VIEs own and control six entities whose total assets were ¥15,313 million (US$ 130,880 thousand) as of March 31, 2006. The consolidated subsidiary was the primary beneficiary of the VIEs including eight entities and consolidated them. The total assets of the consolidated VIEs were ¥15,313 million (US$130,880 thousand). Creditors of the consolidated VIEs had no recourse to Sanyo's assets.

25 SUPPLEMENTARY INFORMATION TO STATEMENTS OF OPERATIONS

Supplementary information to statements of income for the years ended March 31, 2006, 2005 and 2004 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2005	2004	2006
Other income:				
Gain on sale on equity securities	¥ 39,768	¥ 10,000	¥ 12,110	$ 339,897
Net rental income received (a)	4,062	4,726	4,604	34,718
Equity in (losses) earnings of affiliated companies	(12,475)	2,631	2,506	(106,624)
Gain on sale on fixed assets	10,209	—	—	87,256
Other (b)	18,106	8,696	7,574	154,753
Total	¥ 59,670	¥ 26,053	¥ 26,794	$ 510,000
Other expenses:				
Exchange loss, net	¥ —	¥ 1,267	¥ 16,508	$ —
Restructuring charge (c)	84,947	—	—	726,043
Loss on earthquake (d)	—	42,373	—	—
Impairment loss on investment securities	4,048	3,526	1,828	34,598
Impairment and disposal of investments and bad debts	—	7,257	7,238	—
Loss on disposal of fixed assets (e)	—	14,444	9,396	—
Impairment loss on fixed assets (f)	71,345	7,338	—	609,786
Impairment loss on goodwill (g)	—	6,790	—	—
Extra payments of retirement benefit (h)	1,477	14,719	6,208	12,624
Provision for loss from real estate development	—	1,600	7,570	—
Other (i)	35,153	22,681	18,880	300,453
Total	¥196,970	¥121,995	¥ 67,628	$ 1,683,504

(a) Net rental income

Net rental income relates to mainly office space rent to third parties.

(b) New shares issued by a subsidiary

SANYO Electric Logistics Co., Ltd , a subsidiary of the Company, issued 1,000,000 shares at ¥1,156 (US$ 9.88) per share in connection with its initial public offering on October 5, 2005 and 300,000 shares at ¥1,156 (US$9.88) per share in connection with its private offering to a third-party on November 8, 2005. As a result, the Company's interest in shares in Sanyo Electric Logistics Co., Ltd was reduced from 66.00% to 57.67% and a dilution gain for sales of the shares of ¥395 million (US$ 3,376 thousand) (before net of tax) was recorded in the current year.

(c) Restructuring charge

Sanyo has been executing a drastic restructuring plan to realize "selection and concentration" of businesses based on "SANYO EVOLUTION PROJECT" through the vision "Think GAIA" which was established in July, 2005.

In the restructuring plan, Sanyo reviewed the business portfolio of Sanyo and divided the existing businesses into "Core Businesses" and "Businesses Requiring Structural Reform".

In "Businesses Requiring Structural Reform", Sanyo identified businesses that would become financial burdens for the group if left unchanged and has been streamlining operations in manufacturing, sales and other processes. Some businesses has been downsized or discontinued, as appropriate. Closing underperforming sites or revision and discontinuance of products have also been implemented based on "selection and concentration" of the business. This restructuring plan will be completed by March 31, 2007 and the estimated total amount of the costs is about ¥ 100 billion (US$ 854,701 thousand).

For the year ended March 31, 2006, Sanyo recorded restructuring charges of ¥84,947 million (US$ 726,043 thousand) for mainly in the Semiconductor, AV equipment and Photonics businesses as follows:

Year ended March 31, 2006	Millions of Yen	Thousand of U.S. Dollars
Semiconductor	¥ 42,438	$ 362,718
AV (Television)	5,549	47,427
Photonics	7,341	62,744
Extra payments for retirement benefits	19,722	168,564
Sales of assets	1,593	13,616
Others	8,304	70,974
Total	¥ 84,947	$ 726,043

Semiconductor business

In semiconductor business, NIIGATA SANYO ELECTRONIC CO., LTD. (present SANYO Semiconductor Co.,Ltd.) which is the main manufacturing subsidiary was struck by the Niigata Chuetsu Earthquake occurred in October, 2004 and suffered huge losses. As a result, Sanyo lost a number of customers in this business and it caused serious damages to Semiconductor operations. To overcome this situation, Sanyo reviewed business domains to concentrate on the products which Sanyo has advantage over. As a result, Sanyo recorded the restructuring charges of ¥ 42,438 million (US$ 362,718 thousand) which consists of mainly of devaluation and disposal loss of inventory of ¥ 8,985 million (US$ 76,795 thousand), the impairment losses on fixed assets of ¥24,956 million (US$ 213,299 thousand) and extra payments for retirement benefit of ¥ 3,210 million (US$ 27,436 thousand) .

AV equipment business

In AV equipment business, Sanyo has been executing the restructuring mainly focused on its TV business. As a part of that, Sanyo decided to close a Tudela factory in Spain held by Sanyo Espana, S.A.. Sanyo also reduced the workforce and disposed inventories of other subsidiaries. As a result, Sanyo recorded the restructuring charge of ¥ 5,549 million (US$ 47,427 thousand) which consists of losses on inventories of ¥2,318 million (US$ 19,812 thousand), the impairment losses on fixed assets of ¥ 652 million (US$ 5,573 thousand) and extra payment of retirement benefit of ¥ 2,193 million (US$ 18,744 thousand).

Photonics business

In Photonics business, which has recorded losses for years, Sanyo identified this business as "Businesses Requiring Structural Reform" and recorded the restructuring charge of ¥ 7,341 million (US$ 62,744 thousand). It comprised of the devaluation loss on inventories of ¥ 1,395 million (US$ 11,923 thousand), the impairment loss of ¥ 4,389 million (US$ 37,513 thousand) on fixed assets and extra payments for retirement benefits of ¥ 86 million (US$ 735 thousand).

Extra payment of retirement benefit

Extra payments of retirement benefits in the year ended March 31, 2006 are paying one-off additional retirement benefit to employees who were transferred for the compensation of a change in the working condition based on the restructuring plan. They comprised of ¥ 2,500 million (US$ 21,368 thousand) for Consumer business segment, ¥ 13,774 million (US$ 117,726 thousand) for Component business segment and ¥ 1,415 million (US$ 12,094 thousand) for Commercial business segment.

Sales of assets

Consists of losses on sales of fixed assets and disposal losses of fixed assets. These are idle assets of head offices and disposed based on the restructuring plan, such as the Ashikaga site and other offices.

Others

Others includes the impairment loss of ¥ 1,257 million (US$ 10,744 thousand) on fixed assets, lease contract termination costs in Organic Light Emitting Diode business of ¥ 3,106 million (US$ 26,547 thousand) and loss from liquidation of a subsidiary in AV equipment business (Other than TV business) of ¥2,426 million (US$20,735 thousand).

The restructuring charges for the year ended March 31, 2006 are as follows :

	Millions of Yen				
	Employee termination benefits	Non-cash impairment losses on fixed assets	Non-cash evaluation and disposal loss on other assets	Other associated costs	Total
Balance at March 31, 2005	¥ —	¥ —	¥ —	¥ —	¥ —
Restructuring costs	26,085	31,253	21,768	5,841	84,947
Non-cash charges	—	(31,253)	(21,768)	—	(53,021)
Cash payments	(22,875)	—	—	(5,702)	(28,577)
Balance at March 31, 2006	¥ 3,210	¥ —	¥ —	¥ 139	¥ 3,349

	Thousands of U.S. Dollars				
	Employee termination benefits	Non-cash impairment losses on fixed assets	Non-cash evaluation and disposal loss on other assets	Other associated costs	Total
Balance at March 31, 2005	$ —	$ —	$ —	$ —	$ —
Restructuring costs	222,949	267,120	186,051	49,923	726,043
Non-cash charges	—	(267,120)	(186,051)	—	(453,171)
Cash payments	(195,513)	—	—	(48,735)	(244,248)
Balance at March 31, 2006	$ 27,436	$ —	$ —	$ 1,188	$ 28,624

(Note) Evaluation and disposal loss on other assets includes evaluation and disposal loss on account receivables, inventories and Investment securities.

(d) Loss on earthquake

Loss on earthquake includes various losses and costs of NIIGATA SANYO ELECTRONIC CO., LTD. (present SANYO Semiconductor Manufacturing Co., Ltd.). The consolidated subsidiary is one of the Company's main semiconductor manufacturers and was heavily damaged by the series of earthquakes in the Chuetsu region of Niigata Prefecture on October 23, 2004.

The losses comprise as follows:

Year ended March 31, 2005	Millions of Yen
Loss on disposal of fixed assets	¥ 18,122
Loss on disposal of damaged inventories	5,083
Repair and restoration expenses	19,168
Total	¥ 42,373

Repair and restoration expenses include repair expenses for the damaged utilities and machineries which are amounted to ¥14,200 million.

(e) Loss on disposal of fixed assets

For the year ended March 31, 2005, loss on disposal of fixed assets mainly comprises a replacement of LSI manufacturing machinery in our Tokyo plant and battery manufacturing machinery in Kaizuka plant as well as reformation expenses related to a change in the facility layout in the Tokyo plant to improve manufacturing processes.

(f) Impairment loss on fixed assets

For the year ended March 31, 2006, Sanyo recorded impairment losses of ¥71,345 million (US$ 609,786 thousand). These impairment losses were resulted from the review of future cash flows in accordance with Medium-term Management Plan revised in November 2005 and decrease of fair value of idled assets and assets to be disposed by sale.

The impairment losses are calculated as the differences between the carrying value and present value of estimated future net cash flows.

The impairment losses comprise as follows:

Year ended March 31, 2006	Millions of Yen	Thousand of U.S. dollars
Assets to be held and used	¥ 65,122	$ 556,598
Assets to be disposed by sale (Head Office)	3,634	31,060
Assets to be disposed by other than sale (Head Office)	2,589	22,128
Total	¥ 71,345	$ 609,786

The detail of the impairment for assets to be held and used by business segments are as follows:

Year ended March 31, 2006	Millions of Yen	Thousand of U.S. dollars
Component business segment	¥ 39,333	$ 336,179
Consumer business segment	23,903	204,299
Other business segment	1,886	16,120
Total	¥ 65,122	$ 556,598

For Component business segment, Sanyo recorded impairment losses as a result of review of future cash flows in mainly Semiconductor business by the further effect of Niigata Chuetsu Earthquake and the delay in recovery of sales.

For Consumer business segment, Sanyo recorded impairment losses as a result of the review of future cash flows in mainly Home Appliance business (refrigerators and washing machines etc.) because of the business environment such as severe competition and decrease of sales prices and Sanyo's delay in the cost reduction.

For Other business segment, Sanyo recorded impairment losses as a result of the review of future cash flows from mainly facilities regarding housing business.
In addition to the impairment losses of ¥71,345 million (US$609,786 thousand) above, the impairment losses of ¥ 31,253 million (US$ 267,120 thousand) from the business requiring structural reform based on Medium-term Management Plan are included in the restructuring charge.

For the year ended March 31, 2005, Sanyo recognized impairment losses amounted to ¥7,338 million. The impairment losses related to an idle land. The land was scheduled to be leased to a third party in the year ended March 31, 2004 and the Company concluded there were no impairment required in the year ended March 31, 2004. But in the year ended March 31, 2005, the development and leasing plan was postponed and management concluded to write the land down to its net selling price.

(g) Impairment loss on goodwill

See Note 12 "Goodwill and intangible assets" for the detail on the impairment losses on goodwill which were recorded in the Consumer business and the Component business, recognized in accordance with SFAS No.142 "Goodwill and Other Intangible Assets."

(h) Extra payments of retirement benefit

Extra payments of retirement benefits for the year ended March 31, 2006 relates to mainly overseas consolidated subsidiaries.

Extra payments of retirement benefits in the year ended March 31 2005 mainly related to the Tokyo plant where the Company implemented a employee transfer program, paying a one-off additional retirement benefit to employees, who were transferred to a manufacture subsidiary, for the compensation of a change in the working condition.

For the year ended March 31, 2004, the extra benefits were related to transferring manufacturing functions from domestic factories to overseas factories, for mainly home appliances such as vacuum cleaners and microwave ovens in 2004.

(i) Other

For the year March 31, 2006, other expense includes mainly ¥5,526 million (US$47,231 thousand) of costs for malfunction of products in Component and Consumer business segment, and overseas subsidiaries' business liquidation cost of ¥4,455 millions (US$38,077 thousand) and overseas subsidiaries' losses on fire of ¥2,756million (US$23,556 thousand).

Other expense for the year ended March 31, 2005, includes depreciation expenses of idle production facilities which is amounted to ¥5,490 million and also includes charges for repairing recalled laundry machines amounting to ¥2,074 million.

For the year ended March 31, 2004, other expense includes impairment loss on foreign joint venture investments amounting to ¥8,028 million and impairment loss on real estates amounting to ¥8,636 million.

26 SUPPLEMENTARY INFORMATION OF STATEMENT OF CONSOLIDATED CASH FLOWS

Supplementary information relating to the statements of cash flows for the years ended March 31, 2006,2005 and 2004 are as follows:

	Millions of Yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Supplemental disclosures of cash flow information :				
Cash paid during the period for :				
Interest	**¥ 19,311**	¥ 15,296	¥ 14,104	**$ 165,051**
Income taxes (net)	**16,245**	18,538	24,442	**138,846**
Conversion of convertible bonds issued by a consolidated subsidiary	**—**	—	430	**—**

On October 1,2004, the Company founded SANYO EPSON IMAGING DEVICES CORPORATION ("SEID") with Seiko Epson Corporation and contributed certain assets and liabilities aggregating ¥62,466 million and ¥15,312 million, respectively. As a result, the Company acquired a 45% interest in SEID.

Report of Independent Auditors

ChuoAoyama PricewaterhouseCoopers

To the Stockholders and the Board of Directors
SANYO Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of SANYO Electric Co.,Ltd. and its subsidiaries as of 2006 and 2005, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The information relating to segments of a business enterprise required to be disclosed in financial statements by Statement of Financial Accounting Standards No. 131 under accounting principles generally accepted in the United States of America is not presented in the accompanying financial statements.

In our opinion, except for omission of the information as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SANYO Electric Co., Ltd. and its subsidiaries as of March 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the consolidated financial statements, the future operational performance of the Company is dependent on the success in completing Medium-term Management Plan. The accompanying financial statements have been prepared on a going concern basis, which assumes the realization of assets and satisfaction of liabilities in the normal course of business and does not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

ChuoAoyama PricewaterhouseCoopers

Osaka, Japan
June 28, 2006

Directors and Corporate Auditors/Officers

DIRECTORS AND CORPORATE AUDITORS

(As of June 23, 2006)

Directors

Executive Director & Chairman

Tomoyo Nonaka

Executive Director & President

Toshimasa Iue

Executive Director & Executive Vice President

Koichi Maeda
Kazuhiko Suruta
Tetsuo Naraha

Directors

Toshinao Matsushima (Outside Director)
Ankur Sahu (Outside Director)
Mitsuru Honma
Hidetoshi Arima

Corporate Auditors

Corporate Executive Auditors

Ryota Tominaga
Kenzo Kurokawa
Toshiya Uchida

Corporate Auditors

Hiroshi Toda (Outside Corporate Auditor)
Osamu Okamoto (Outside Corporate Auditor)
Takeharu Nagata (Outside Corporate Auditor)

OFFICERS

(As of June 23, 2006)

Chairman

Tomoyo Nonaka

President

Toshimasa Iue

Executive Vice President & Officer

Koichi Maeda
Kazuhiko Suruta
Tetsuo Naraha

Executive Officers

Mitsuru Honma
Satoshi Inoue
Osamu Kajikawa
Hiroshi Ono
Akira Kan

Senior Officers

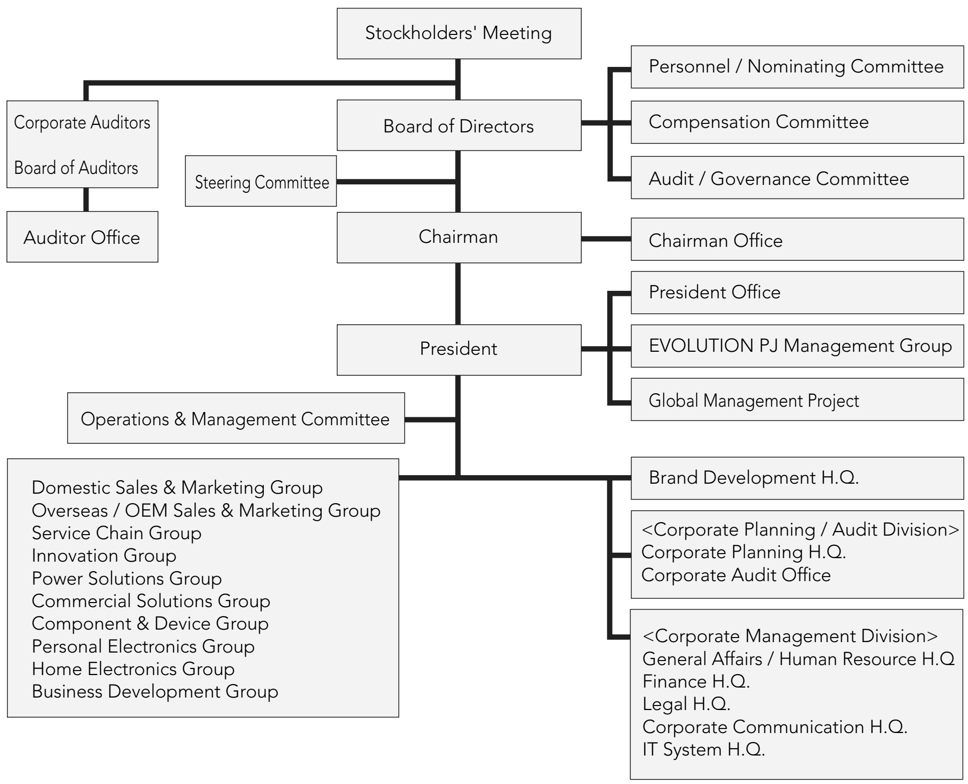
Teruo Tabata
Toshiaki Iue
Takenori Ugari
Yoshihiro Nishiguchi
Tadao Shimada
Yoshio Iwasa

Officers

Hidetoshi Arima
Shinya Tsuda
Keiichi Yodoshi
Nobuaki Matsuoka
Takuya Kobayashi
Tsutomu Asano
Katsuhisa Kawashima
Kohei Wakayama
Kazuhiro Takeda
Masato Ito
Seiichiro Sano
Sousei Takeuchi
Morihiro Kubo
Hideo Matsui
Satoru Hotta
Tsuyoshi Takemura
Satoshi Kitaoka
Tetsuhiro Maeda
Yoshio Watabe

Organization Chart

(As of July 1, 2006)



Corporate Governance

Basic concept of corporate governance

Sanyo believes that in order to implement the management philosophy and improve its corporate value, it is essential to enhance corporate governance. One means of achieving these aims is to promote sound and transparent management through the timely and appropriate disclosure of corporate information.

Sanyo also regards compliance as an important basis for fulfilling its social responsibility, and is aware that thorough compliance is essential for continuity of business operations. With these aspects in mind, Sanyo vigorously advances group-wide compliance management while strengthening corporate governance. Sanyo has established the Sanyo's Principles of Conduct as guidelines to be observed by Sanyo's directors, officers and employees in all their activities. Moreover, we have defined compliance in a wider scope, to include corporate ethics, rather than confine our definition to compliance with laws, regulations and corporate rules. Also, specific codes of conduct have been stipulated for implementing the Principles of Conduct, so as to further promote compliance efforts among Sanyo's directors, officers and employees.

Management systems and internal control system

(1) Development of management systems related to decision-making, business execution and supervision, and other corporate governance systems

・Directors/Board of Directors

The Company holds regular meetings of the Board of Directors once a month, to make important decisions and oversee business execution by officers and directors. To facilitate careful deliberation at such meetings and improve management efficiency, all board members attend the Steering Committee meetings, which are held at least twice a month. At the Steering Committee meetings, they preliminarily review items on the agenda for the meeting of the Board of Directors, and make swift decisions regarding fundamental and important subjects relating to certain business implementations.

As of the end of March 2006, the Board of Directors comprises nine directors (including four outside directors).

・Auditors/Board of Auditors

In our auditing system, the Company has a Board of Auditors comprising six corporate auditors, three of whom are outside auditors, as of the end of March 2006.

Corporate Auditors attend Board of Directors meetings and other important meetings, inspect important documents of settlement and receive reports from internal audit sections and other relevant departments. Through these activities, Corporate Auditors stringently monitor the performance of directors.

Corporate Auditors also inquire into the auditing policies and plans of accounting Auditors, and receive reports and explanations on the results of audits performed as occasion arises, so as to ensure mutual coordination with accounting auditors.

・Special Committees

The Company has established the governance system by setting up three special committees. These special committees deliberate on internal control-related subjects in each area of specialty, make recommendations and proposals, and submit reports to the Board of Directors.

* Personnel/Nominating Committee

Mainly discusses bills to be submitted to the stockholders' meeting, regarding nomination of candidates for directors and removal of directors.

* Compensation Committee

Mainly discusses bills to be submitted to the stockholders' meeting regarding the total amount of remuneration for all directors, as well as the amounts of remuneration for individual directors (and officers).

* Audit/Governance Committee

Mainly discusses basic policies, establishment of mechanisms, plans and measures concerning audit/internal control throughout Sanyo, in cooperation with the Auditor Office and Legal Headquarters. The Committee also discusses how to establish policies and mechanisms for current governance system function, and how to ensure appropriate operation of the system.

(2) Development of the internal control system

To win stakeholders' trust and enhance Sanyo's sustainability as a global enterprise, Sanyo believes that it is essential to develop an internal control system and ensure that the system can function effectively. To this end, while complying with relevant laws and regulations, Sanyo strives to enhance the soundness, efficiency and transparency of corporate management.

· Internal audits

To further strengthen the internal control system for business operations, financial reporting and compliance, Sanyo has set up Internal Auditing Departments in the Company's Head Office and major subsidiaries. The Auditing Departments work to ensure efficient business practices in compliance with laws and regulations.

The Internal Auditing Departments also report audit results and other relevant information to the Corporate Auditors. The Departments work to maintain and improve auditing quality by verifying the efficiency and effectiveness of their audit activities under the guidance of the Auditors.

· Risk management

Sanyo has designated one officer as chief supervisor, and has set up a department that supports the chief supervisor, to oversee and coordinate risk management across Sanyo. In so doing, we are working to ensure that risk management policies are known group-wide, and to address issues regarding risks that are common to Sanyo, so as to strengthen Sanyo's capability to cope with various risks.

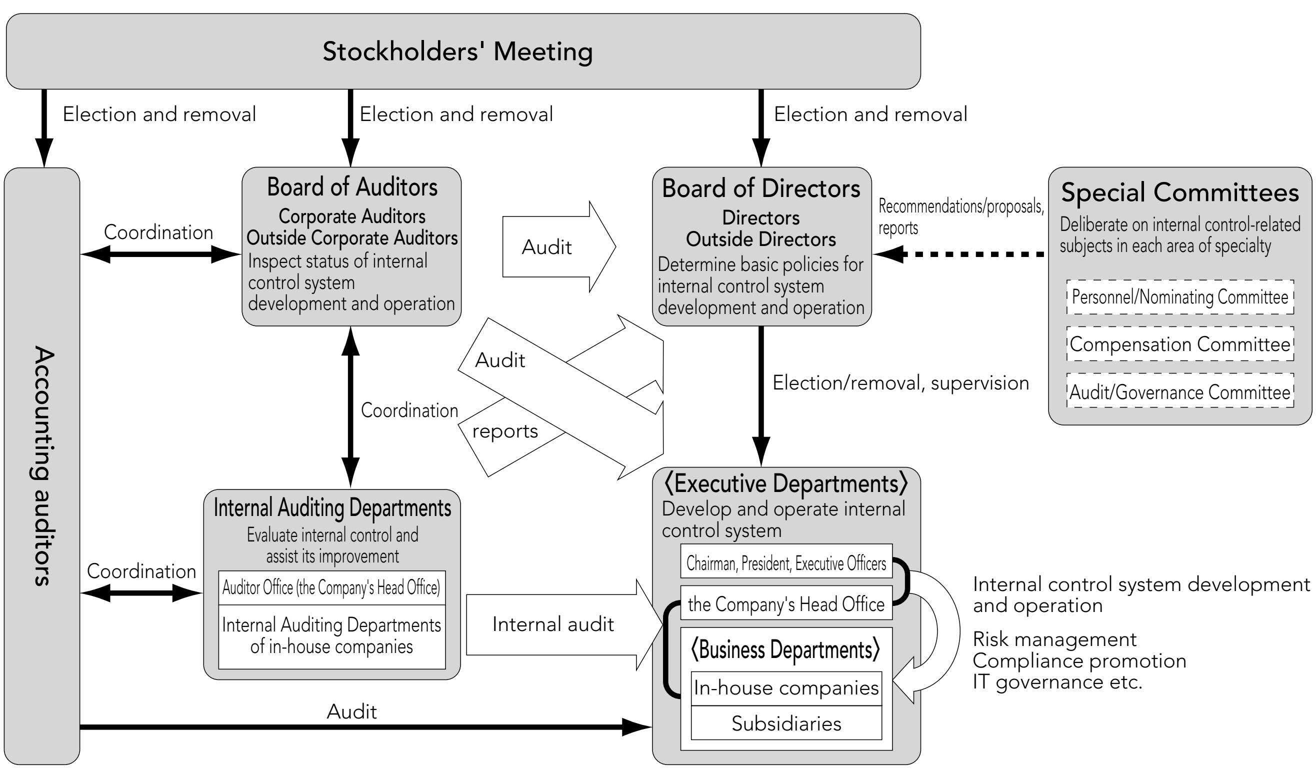
· Compliance promotion system

To implement the management philosophy, The Company has stipulated basic compliance rules. The Company has also established a compliance promotion section in the Company's Head Office. Under the system, the President is responsible for overall compliance management, and one officer is responsible for compliance enforcement.

· Whenever legal judgment is necessary, the Company obtains appropriate advice from corporate lawyers. From Accounting Auditors - through accounting audits - the Company receives recommendations that lead to improvements in accounting and business operations.

Shown below is a schematic representation of the corporate governance system, including an outline of the internal control system (as of the end of March 2006).

Overview of the corporate governance system, including an outline of the internal control system



PRINCIPAL CONSOLIDATED SUBSIDIARIES

PRINCIPAL CONSOLIDATED SUBSIDIARIES

(As of March 31, 2006)

TOTTORI SANYO Electric Co., Ltd.
Principal business: Manufacture and sales of electrical equipment and others

SANYO Semiconductor Manufacturing Co., Ltd.
Principal business: Manufacture and sales of semiconductors

KANTO SANYO Semiconductors CO., LTD.
Principal business: Manufacture and sales of semiconductors

SANYO Seimitsu Co., Ltd.
Manufacture and sales of cellular phones and motors

SANYO Sales & Marketing Corporation
Principal business: Sales, export and import of electrical equipment

SANYO Commercial Sales Co., Ltd.
Principal business: Sales and installation of refrigerators/freezers and kitchen appliances

SANYO Semicon Device Co., Ltd.
Principal business: Sales of semiconductors

SANYO NORTH AMERICA CORPORATION
Principal business: Sales of electrical equipment and local general businesses

SANYO MANUFACTURING CORPORATION
Principal business: Manufacture and sales of color TVs and others products

SANYO ENERGY (U.S.A.) CORPORATION
Principal business: Manufacture and sales of batteries

SANYO ASIA PTE LTD.
Principal business: Sales of electrical equipment and local general businesses

SANYO PT(M) SDN.BHD.
Principal business: Manufacture and sales of telephones

SANYO ELECTRIC (HONG KONG) LIMITED
Principal business: Sales of electrical equipment

SANYO SEMICONDUCTOR (H.K.) CO., LTD.
Principal business: Sales of semiconductors

(The Company has a total of 236 consolidated subsidiaries [including variable interest entity]-102 in Japan and 134 overseas.)

Investor Information

HEAD OFFICE

5-5, Keihan-Hondori 2-chome, Moriguchi City, Osaka 570-8677, Japan
Telephone: +81-6-6991-1181
Facsimile: +81-6-6992-0009
URL: http://www.sanyo.co.jp/

U.S. CONTACT ADDRESS

SANYO NORTH AMERICA CORPORATION
(Head Office)
2055 Sanyo Avenue, San Diego, CA92154, U.S.A.
Telephone: +1-619-661-1134
Facsimile: +1-619-661-6795

Foundation and Incorporation

Founded: February 1947 Incorporated: April 1950

SHARE OWNERSHIP (As of March 31, 2006)

Type	Total number of shares issuable	Total capital shares issued	Number of stockholders
Common stock	7,060,300,000	1,872,338,099	282,170
Series 1 Class A Preferred Stock	182,600,000	182,542,200	3
Series 1 Class B Preferred Stock	246,100,000	246,029,300	3

CAPITAL (As of March 31, 2006)

¥322,242,319,083

STOCK LISTINGS

Japan: Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
Overseas: American Depositary Receipts for common stock are quoted in the NASDAQ System in the United States.

STOCK TRANSFER AGENT

The Sumitomo Trust & Banking Co., Ltd., 5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

COMMON STOCK PRICE RANGE

The highs and lows of Sanyo common stock on the Tokyo Stock Exchange for each quarter are as follows:
(SANYO Electric Co., Ltd. for the years ended March 31, 2006, 2005, and 2004)

	2006		2005		2004	
	High	**Low**	High	Low	High	Low
First quarter	**¥352**	**¥269**	¥545	¥411	¥426	¥326
Second quarter	**319**	**265**	455	355	531	413
Third quarter	**363**	**237**	378	330	562	448
Fourth quarter	**362**	**270**	370	331	614	483

CASH DIVIDENDS

Interim and year-end cash dividends per share paid to stockholders are as follows:
(SANYO Electric Co., Ltd. for the years ended March 31, 2006, 2005, and 2004)

	2006-II	2006-I	2005-II	2005-I	2004-II	2004-I
Dividend per share	**—**	—	—	¥3.00	¥3.00	¥3.00

SANYO Electric Co., Ltd.
5-5, Keihan-Hondori 2-chome, Moriguchi City, Osaka 570-8677, Japan
Telephone +81-6-6991-1181
http://www.sanyo.co.jp/

PRINTED WITH SOY INK
Printed in Japan on 100% recycled paper and nonwood paper

EXHIBIT O

Think GAIA
For Life and the Earth

SANYO

SANYO Electric Co., Ltd.

Annual Report 2007

For the year ended March 31, 2007

Think GAIA

For Life and the Earth

"GAIA" is a term that encompasses the Blue Planet, "Earth," and the infinite varieties of "life" that live and breathe on it.
It describes the world as a single living organism, where all life and nature co-exist interdependently.
SANYO is committed to listening to GAIA's voice and engaging in activities that are beneficial to life and the Earth.
As a testament to this, SANYO pledges to respond by developing only products that are absolutely essential to life and the Earth.
We aim to bequeath a beautiful Earth to future generations.
This is SANYO's Brand Vision—Think GAIA.
To realize this vision, SANYO promotes a threefold approach, focusing on the environment, energy and lifestyle.
As a leading provider of Environment- and Energy-related products, SANYO seeks to harness its exclusive, unique technology and innovative creativity to deliver global solutions.
All for the Earth. All for life. All for GAIA.

Contents

Notice Related to Future Outlook

All statements in this annual report, other than past factual matters, are future results projected in accordance with SANYO's present plans, outlooks and strategies, based on management judgments in light of information currently available. Therefore, SANYO cannot guarantee the accuracy and reliability of this information, and requests that you should not rely on this information alone.

There are various risks and uncertainties relating to factors that can cause change in business results. The principal factors influencing results include: 1) large changes in economic conditions and capital markets, as well as consumption changes in businesses SANYO engages in, 2) the effects on SANYO's international business activities of fluctuation in exchange rates between the yen and the U.S. dollar, as well as the yen and other currencies, 3) various trade restrictions in the markets of individual countries, and 4) SANYO's ability to provide new technologies, new products and new services amid rapid technological innovation in information technology (IT), market competition and price competition.

However, it should be noted that factors affecting SANYO's performance are not limited to those mentioned above; there are other factors that pose latent risks and uncertainties.

In this annual report, "the Company" refers to SANYO Electric Co., Ltd. and "SANYO" to SANYO Electric Co., Ltd. and its subsidiaries, unless otherwise specified.

Financial Highlights

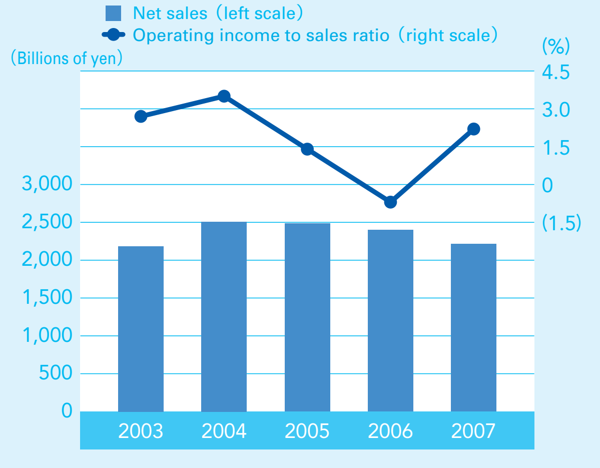
SANYO Electric Co., Ltd. and subsidiaries

Years ended March 31, 2007, 2006, 2005, 2004 and 2003

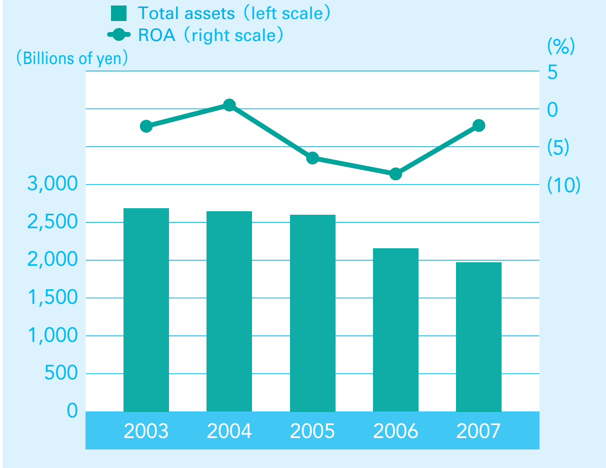
	Millions of yen					Thousands of U.S. dollars
	2007	2006	2005	2004	2003	**2007**
Performance						
Net sales	**2,215,434**	2,397,026	2,484,639	2,508,018	2,182,553	**18,774,864**
Operating income (loss)	**49,568**	(17,154)	35,236	87,113	57,963	**420,068**
Operating income (loss) to sales ratio	**2.2%**	(0.7%)	1.4%	3.5%	2.7%	**—**
Income (loss) before income taxes and minority interests from continuing operations	**(13,070)**	(165,696)	(68,767)	41,523	(80,072)	**(110,763)**
Net income (loss)	**(45,362)**	(205,661)	(171,544)	13,400	(61,671)	**(384,424)**
Financial conditions						
Total assets	**1,970,940**	2,154,837	2,600,677	2,643,627	2,686,967	**16,702,881**
Total stockholders' equity	**312,008**	402,892	288,268	497,302	426,026	**2,644,135**
Common and preferred stock	**322,242**	261,328	172,242	172,242	172,242	**2,730,864**
Accumulated earnings (deficit)	**(633,315)**	(466,951)	(84,342)	92,766	90,498	**(5,367,076)**
Interest-bearing debt	**678,878**	792,166	1,213,879	1,093,264	1,125,662	**5,753,203**
Cash flows						
Cash flows from operating activities	**(7,524)**	(664)	3,695	86,371	131,756	**(63,763)**
Cash flows from investing activities	**(16,866)**	36,001	(82,234)	(91,356)	(61,631)	**(142,932)**
Free cash flows	**(24,390)**	35,337	(78,539)	(4,985)	70,125	**(206,695)**
Cash flows from financing activities	**62,002**	(69,980)	70,580	(33,305)	(7,189)	**525,441**
Cash and cash equivalents at end of year	**334,686**	297,500	294,982	277,462	319,753	**2,836,322**
Restricted cash at end of year	**88,000**	264,800	—	—	—	**745,763**

Notes:
1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2007. See Note 3 of Notes to Consolidated Financial Statements.
2. To be consistent with financial reporting principles and practices generally accepted in Japan, operating income (loss) is calculated as net sales and operating revenue, less cost of sales and selling, general and administrative expenses. SANYO feels that showing operating income (loss) is convenient for investors, since they can compare our financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges—for example, restructuring and impairment charges and abnormal product warranty costs—would be included in the determination of operating income (loss) in consolidated statements of income.
3. Due to the sale of a portion of its shares in SANYO Electric Credit Co., Ltd. on December 27, 2005, SANYO shows its business results and profit or loss on sale independently as discontinued operations. Prior period results have been reclassified to the 2006 presentation.

Net sales and Operating income to sales ratio



Total assets and ROA

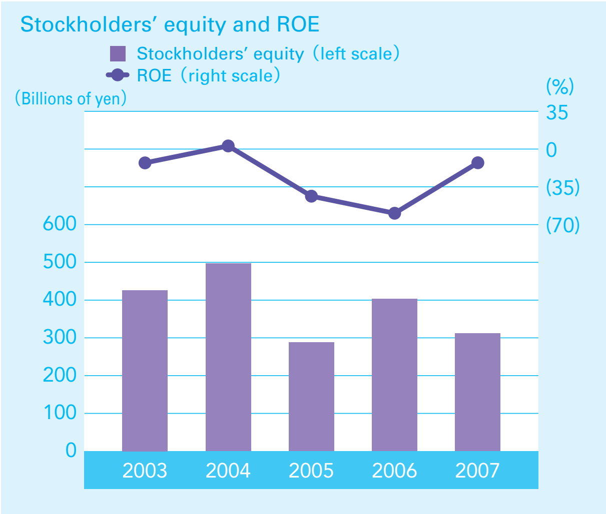


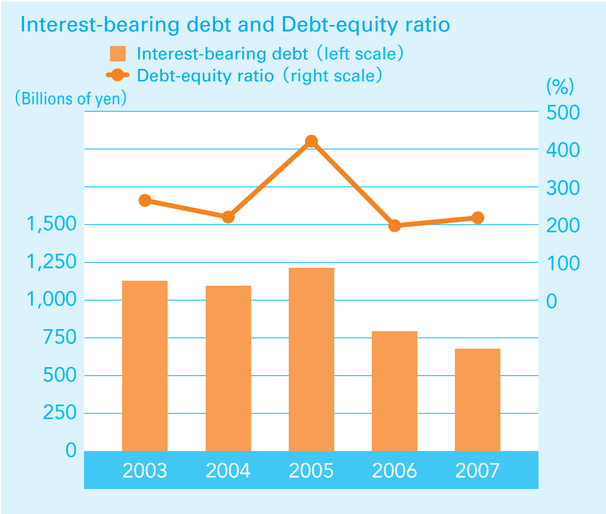
	Yen					U.S. dollars
	2007	2006	2005	2004	2003	**2007**
Per-share information						
Net income (loss) per share	**(72.7)**	(195.0)	(92.5)	7.2	(33.1)	**(0.62)**
Dividend per share	**—**	—	3.0	6.0	6.0	**—**

	Millions of yen					Thousands of U.S. dollars
	2007	2006	2005	2004	2003	**2007**
Reference information						
Capital investment	**79,622**	73,104	100,740	110,172	97,289	**674,763**
Depreciation (excluding amortization)	**66,706**	83,312	88,513	93,443	91,885	**565,305**
R&D expenses	**127,276**	126,767	131,828	125,206	120,833	**1,078,610**

	%				
	2007	2006	2005	2004	2003
Indexes					
Stockholders' equity ratio	**15.8**	18.7	11.1	18.8	15.9
Return on equity (ROE)	**(12.7)**	(59.5)	(43.7)	2.9	(12.8)
Return on assets (ROA)	**(2.2)**	(8.6)	(6.5)	0.5	(2.3)
Debt-equity ratio	**218**	197	421	220	264

4. See Note 23 of Notes to Consolidated Financial Statements for net income (loss) per share.





Message from President

SANYO will transform itself into a leading provider of Environment- and Energy-related products, and will enhance its corporate value

Seiichiro Sano, Executive Director & President

I am Seiichiro Sano, who has recently assumed the Presidency of SANYO Electric Co., Ltd. I am determined to do my utmost to revive SANYO, and I ask your kind support.

First of all, we sincerely apologize for the serious concern that we have caused stakeholders through issues regarding the voluntary amendment of previous financial results and our product quality issues. We will work to resolve these issues, as our primary management task.

The management philosophy of SANYO is "We are committed to becoming an indispensable element in the lives of people all over the world." Reflect on this philosophy, SANYO aims to transform itself into a leading provider of Environment- and Energy-related products, in line with our brand vision "Think GAIA."

Currently, we are implementing transforming initiatives in accordance with the Medium-term Management Plan, a three-year plan (from the fiscal year ended March 2006 to March 2008) formulated in November 2005. In the Plan, we clearly specified the core businesses, on which we would concentrate our management resources, and the businesses requiring structural transformation, which would be subject to fundamental business model review.

For the fiscal year ended March 2007 (fiscal 2006), SANYO recorded a consolidated operating income of ¥49.6 billion, returning to profitability from the previous year's negative figure, since earnings recovery was achieved mainly in the core businesses as a result of the structural transformation implemented thus far. However, primarily because we accounted for other expenses associated with the implementation of additional structural transformation measures, SANYO incurred a net loss of ¥45.4 billion on a consolidated basis, resulting in three consecutive years of net losses.

In the fiscal year ending March 2008, SANYO intends to realize its primary objective of returning itself to profitability in terms of net income, by ensuring continued earnings recovery, mainly in the core businesses.

Business results

Fiscal years ended March 31

	Billions of yen			Millions of U.S. dollars
	2007	2006	Increase (decrease)	2007
Net sales	2,215.4	2,397.0	(181.6)	18,775
Operating income (loss)	49.6	(17.2)	66.8	420
Loss before income tax and minority interests from continuing operations	(13.1)	(165.7)	152.6	(111)
Net loss	(45.4)	(205.7)	160.3	(385)

Overview of Operations in the Fiscal Year Ended March 2007

With economic expansion continuing in China and other Asian countries and regions, and the European economies persistently picking up, the world economy continued to follow a steady trend as a whole during the fiscal year ended March 2007. Similarly, the Japanese economy continued to progress in its recovery. In the country, capital investment increased, backed by improving corporate profitability.

Meanwhile, business conditions surrounding SANYO—which is undergoing structural transformation—continued severe as ever, as raw materials prices rose sharply, while product prices went down.

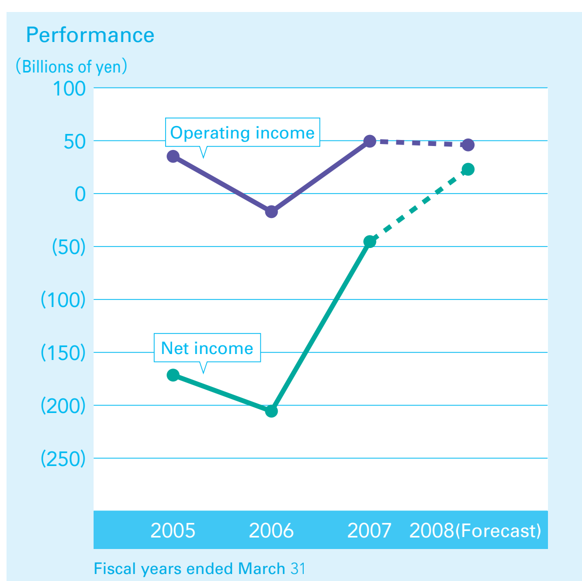
Under these circumstances, consolidated net sales for the fiscal year ended March 2007 fell 7.6% from the previous year, to ¥2,215.4 billion. Sales increased in the commercial business segment, while those of the consumer and component business segments diminished due to a drop in product prices, to deal with increasing competition, and also affected by the selection and focus strategy set under the structural transformation program.

Surging raw materials prices had a negative impact on profitability, while incomes from mobile phones and digital cameras deteriorated. On the other hand, the battery division posted solid incomes and, in the electronic device division, the semiconductor business moved into the black. As a result, operating income rose by ¥66.8 billion from the previous year, to ¥49.6 billion.

Loss before income taxes and minority interests from continuing operations came to ¥13.1 billion, an improvement of ¥152.6 billion from the previous year. This recovery was mainly due to the decrease of structural transformation-related expenses and a drop in impairment loss on fixed assets. Structural transformation-related expenses of about ¥25.0 billion were booked as other expenses in the fiscal year ended March 2007.

With the addition of income taxes, including reversal of deferred tax assets and deduction of minority interests, net loss came to ¥45.4 billion, an improvement of ¥160.3 billion from the previous year.

Business results improved in the fiscal year ended March 2007, as the structural transformation implemented in accordance with the Medium-term Management Plan established in November 2005 have steadily produced their effects throughout SANYO. Specifically, increasing incomes from the core businesses and improving profitability in the businesses requiring structural transformation raised profitability at the level of operating income.



Partial Revisions to the Medium-term Management Plan

On the basis of the Medium-term Management Plan formulated in November 2005, SANYO has been advancing structural transformation by clearly specifying the core businesses, on which we would concentrate our management resources, and the businesses requiring structural transformation, which would be subject to a fundamental business model review.

However, taking into account major changes in our core business environments, in the fiscal year ended March 2007 partial revisions were made to the Medium-term Management Plan, to ensure future recovery and growth. We have therefore announced the following additional measures for structural transformation.

- Cost structural transformation and fundamental review of the production system for the personal mobile devices business
- Acceleration of structural transformation in the home appliances and AV/information and communications equipment businesses
- Reinforcement of sales and service functions
- Completion of structural transformation in the semiconductor business
- Personnel reduction associated with structural transformation and efficiency improvements in administrative and back-office divisions

Thanks to the effects of these structural transformation, we were able to improve profitability, primarily in the core businesses. However, we revised our forecast for the fiscal year ending March 2008, in view of such influencing factors as soaring prices of raw materials for rechargeable batteries and other products, and increased depreciation expenses due to tax system changes in Japan.

Outline of the Medium-term Management Plan (announced on November 18, 2005)

Group-Wide Strategies

Selection of the core businesses
- Power solutions business
- HVAC products & commercial equipment business
- Personal mobile devices business

Selection of the businesses requiring structural transformation
- AV equipment business
- Home appliance business
- Semiconductor business
- Financial services business

Business Strategy Partially revised in November 2006

Growth Strategy

Concentrating capital investment and R&D onto the core businesses
Making use of alliances

Cost Structural Transformation and Functional Improvements

Cost reduction and functional improvements regarding material purchasing, distribution and quality improvement
Personnel downsizing

Improving Financial Standing

Reducing total assets
Reducing interest-bearing debt
Reinforcement of stockholders' equity

Plan for the Fiscal Year Ending March 2008

SANYO has striven to evolve itself into a leading provider of Environment- and Energy-related products, in keeping with our brand vision—"Think GAIA"—with the aim of becoming a company that delights life and the Earth. In the future too, we will sustain this effort while adhering to the above vision.

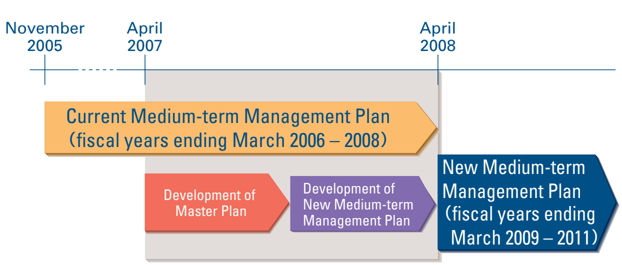
However, I admit the fact that previously there were some uncertainties in our roadmap toward becoming a leading provider of Environment- and Energy-related products, and that our employees have become less motivated due to difficulties in identifying specific future directions.

To cope with the situation, we have defined "returning to profitability at the level of net income" as our primary objective for the fiscal year ending March 2008. To achieve that objective, we will draw up Group-wide strategies to clarify the roadmap for the future of SANYO, so as to ensure that the entire workforce will move toward the same objective.

First, we will formulate the Master Plan, which defines the "businesses that symbolize SANYO as a leading provider of Environment- and Energy-related products," and "business segments that meet our growth and profitability criteria," thereby providing an overall picture of what SANYO should be.

Next, on the basis of the Master Plan, a new Medium-term Management Plan (for three years, from the fiscal year ending March 2009 to March 2011) will be created to ensure SANYO's steady growth into the future.

These plans will be clearly presented to and shared among all employees, so as to align all their efforts toward the same objective. We will then establish a structure that allows individual divisions and employees to establish their own business plans and achieve their respective goals on their own initiative.



Enhance Corporate Value

SANYO has as long as 60 years of history, thanks to the generous support extended by stockholders and many other stakeholders.

Throughout our long history, we have developed environment- and energy-related technologies that have enabled us to create attractive products, including the washer/dryer "AQUA."

However, we understand that our ongoing management structure can not fully meet our stakeholders' expectations in various aspects, including business performance.

Based on this recognition, we will change all current structures, without exception, in order to transform SANYO into a highly profitable enterprise.

Henceforth, we will strive to enhance our corporate value so as to fulfill stakeholders' expectations by ensuring that the entire workforce moves toward the same objective and by inspiring each and every employee to independently engage in transformation initiatives. We ask all our stakeholders for their continued understanding and support.

July 2007

Seiichiro Sano,
Executive Director & President

Progress of the Medium-term Management Plan

The Medium-term Management Plan, formulated to transform SANYO into a leading provider of Environment- and Energy-related Products, is in progress, as shown below:

Fiscal years ended March 31 (Unit: Billions of yen)

	2005	2006		
	Results	Medium-term Management Plan	Results	Increase (decrease) from previous year
Net sales	2,484.6	2,440.0	2,397.0	(87.6)
Operating income (loss)	35.2	(17.0)	(17.2)	(52.4)
Income (loss) before income taxes and minority interests from continuing operations	(68.8)	(202.0)	(165.7)	(96.9)
Net income (loss)	(171.5)	(233.0)	(205.7)	(34.2)
Stockholders' equity	288.3		402.9	114.6
Stockholders' equity ratio	11.1%		18.7%	7.6%
Interest-bearing debt	1,213.9		792.2	(421.7)
Debt-equity ratio	4.2 times		2.0 times	(2.2 times)

Moves after Announcement of the Medium-term Management Plan

	Fiscal year ended March 2006 (November 2005 – March 2006)	
●Management in general	Nov. 2005	●Formulated the Medium-term Management Plan
	Feb. 2006	●Adopted a resolution at an extraordinary meeting of stockholders to increase capital through issuance of preferred stocks to third parties
		(Achievement throughout the fiscal year ended March 2006) ●Reduced approximately 14,000 employees
●Core business efforts	Nov. 2005	●Selected power solutions, personal mobile devices, HVAC products and commercial equipment businesses as the core businesses, under the Medium-term Management Plan
	Jan. 2006	●Reached an agreement with VOLKSWAGEN AG to start co-development of next generation nickel-metal hydride HEV (Hybrid Electric Vehicle) battery systems
●Structural transformation efforts	Nov. 2005	●Selected AV equipment (mainly TVs), home appliances, semiconductor and financial services businesses, as the businesses requiring structural transformation, under the Medium-term Management Plan
	Dec. 2005	●Transferred part of the Company's stockholdings in SANYO Electric Credit Co., Ltd. to the Goldman Sachs Group, Inc.
	Feb. 2006	●Announced closure of Tudela Plant of SANYO ESPANA, S.A., a production base for color TV sets (Plant closed in March)
●Improving SANYO's financial standing		(Achievement throughout the fiscal year ended March 2006) ●Completed payment of approximately ¥300 billion through issuance of preferred stocks to third parties (March 2006) ●Sold former Fukiage and Ashikaga plants and approximately 60 sales bases nationwide in Japan (total proceeds from sales: ¥42 billion) ●Sold portion of SANYO's stockholdings (total proceeds from sales: ¥87.2 billion) ●Reduced interest-bearing debt (from ¥1,213.9 billion at end of March 2005 to ¥792.2 billion at end of March 2006)

(Unit: Billions of yen)

	2007				2008	
	Medium-term Management Plan	Plan revised in Nov. 2006	Results	Increase (decrease) from previous year	Medium-term Management Plan	Plan revised in May 2007
Net sales	2,490.0	2,200.0	2,215.4	(181.6)	2,640.0	2,230.0
Operating income	75.0	35.0	49.6	66.8	97.0	45.0
Income (loss) before income taxes and minority interests from continuing operations	47.0	(25.0)	(13.1)	152.6	75.0	32.0
Net income (loss)	29.5	(50.0)	(45.4)	160.3	62.0	20.0
Stockholders' equity			312.0	(90.9)		
Stockholders' equity ratio			15.8%	(2.9%)		
Interest-bearing debt			678.9	(113.3)		
Debt-equity ratio			2.2 times	0.2 times		

Fiscal year ended March 2007 and onward	
Nov. 2006	● Partially revised the Medium-term Management Plan
Dec. 2006	● Took interim measures for revision of outplacement program, for which 967 employees applied (and retired in January 2007)
	(Achievement throughout the fiscal year ended March 2007)
	● Reduced the number of employees (from 106,389 at end of March 2006 to 94,906 at end of March 2007)
Jun. 2006	● Announced 'Next Generation Program for HIT Solar Cells'
Nov. 2006	● Announced structural transformation measures for mobile phone and digital camera businesses
Jan. 2007	● Announced plan to establish solar cell module production facility at Shiga Plant
Sept. 2006	● Announced organizational merger of commercial equipment and electric home appliance businesses (implemented in October)
	● Announced relocation of washer/dryer production base from Shiga to Gunma (relocation completed in January 2007)
Dec. 2006	● Announced establishment of SANYO Electric Sales Co., Ltd. and SANYO Electric Service Co., Ltd. in March, by integrating sales and service functions of Consumer and Commercial businesses (these companies established in April 2007)
Jan. 2007	● Announced merger of Sanyo Sales & Marketing Corporation (merged in April)
Jul. 2006	● Spun off semiconductor business and established SANYO Semiconductor Co., Ltd.
Aug. 2006	● Announced TV business structural transformation measures and decision to spin off TV development business into a corporate joint venture established with Quanta Computer, Inc. in Taiwan (joint venture established in October)
Dec. 2006	● Transferred all SANYO's stocks in SANYO EPSON IMAGING DEVICES CORPORATION, to completely withdrew from LCD business
Jan. 2007	● Announced that SANYO would establish a joint venture with Haier Group Co. in China for design and development of household refrigerators with most of the production entrusted to Haier.
Apr. 2007	● In response to the tender offer of STV Partners Corporation, a subsidiary of the General Electric Company, SANYO released to sell its stake in SANYO Electric Credit Co., Ltd. to the company (completed in May)
	(Achievement throughout the fiscal year ending March 2007)
	● Sold Tokyo Building
	● Reduced interest-bearing debts (from ¥792.2 billion at end of March 2006 to ¥678.9 billion at end of March 2007)
	● Reduced the number of consolidated subsidiaries (from 236 at end of March 2006 to 205 at end of March 2007)

Efforts in the Fiscal Year Ended March 2007 and Onward

Efforts in the Core Businesses

■Personal Mobile Devices Business

In the personal mobile device business, we carried out cost structural transformation through such measures as reorganizing the manufacturing bases of the digital camera business worldwide and increasing the proportion of overseas production for the mobile phone business. In so doing, we are striving to shift to a business structure capable of ensuring our profitability while responding to rapid changes in the business environment.

■HVAC Products & Commercial Equipment Business

This business covers a wide variety of HVAC (Heating, Ventilating and Air Conditioning) products and commercial equipment for industrial use. We have announced that SANYO will strengthen this business in China.

Against the backdrop of the growing environmental awareness worldwide, we have already set up powerful production facilities in Dalian and other places in China, whose market is in the process of major growth. By newly establishing a heat exchanger manufacturer and a compressor development center in China, we will further reinforce the business structure so as to make Chinese operations as SANYO's second stronghold for HVAC products & commercial equipment business.

We will expand and strengthen this business in overseas markets, on the basis of our environmental and energy-saving technologies.

■Solar Cell Business

In response to the rapidly expanding solar cell market, we have launched the Next Generation Program for HIT Solar Cells, with the aim of further expanding our solar cell business so as to evolve SANYO into a world top-level manufacturer.

Going forward, by the fiscal year ending March 2011 we will invest a total of more than ¥40 billion to augment our cell production capability. In addition, we will develop HIT solar cells with even higher conversion efficiency, as well as thinner wafers, so as to augment our products and differentiate SANYO from competitors, taking advantage of our technological prowess.

Structural Transformation Achievements

■Integration of Electric Home Appliance and Commercial Equipment Businesses

To improve our product development capability and achieve further business expansion through technological synergy, we effected organizational integration of the electric home appliance and commercial equipment businesses.

We have also decided to merge organizations so as to integrate the sales and service functions of the consumer and commercial business segments, and established SANYO Electric Sales Co., Ltd. and SANYO Electric Service Co., Ltd. in April 2007. By improving operational efficiency and promoting customer sharing, we aim to reduce expenses in the fiscal year ending March 2008 and onward, so as to expand sales and strengthen service functions.

■Washer/dryer Business

The operational hub of the washer/dryer business was transferred from the Shiga Plant to the Tokyo Plant, where the operational hub of the HVAC products & commercial equipment business is located, to make more effective use of management resources through integration with the commercial business. This transfer was also aimed at improving our product development capability and realizing further business expansion through synergy created through the fusion of our aqua technology (environmental/water treatment technology) and our commercial equipment technology.

■Household Refrigerator Business

In the household refrigerator business, a global strategic alliance was formed with Haier Group Co. —a company in China that has strong competitiveness in the global market. Specifically, to further strengthen and expand our refrigerator business, a joint venture company was established for R&D/designing and support for manufacturing technologies and quality management. In addition, a large portion of SANYO-owned stocks of SANYO Universal Electric Public Co., Ltd., a refrigerator manufacturing company, was transferred to Haier. We also decided to consign a greater portion of our household refrigerator manufacturing to Haier.

■TV Business

In the TV business, the headquarters functions were transferred to North America, so as to establish a structure capable of promptly responding to customer requests. In addition, a joint venture company having TV related business functions, including planning, development, and material purchasing, was established with Quanta Computer, Inc. in Taiwan—a leading company in the development and manufacture of electronics. Domestic sales of LCD TVs collectively developed by this new company have already commenced.

■Semiconductor Business

In the semiconductor business, significant earnings recovery was achieved as a result of the structural transformation implemented, including fixed cost reduction. However, because of the need for significant capital investment to achieve business growth, the semiconductor business was spun off into a separate company in July 2006 so as to transform itself into a self-sustaining independent business entity capable of quickly responding to changes in the environment and of flexibly raising funds in the capital markets.

We will continue to place particular focus on the power management and mixed signal areas, using our strong analog technology, and will strive to establish business models that enable us to improve capital efficiency.

■LCD Panel Business

Since October 2004, the LCD panel business had been operating under SANYO EPSON IMAGING DEVICES CORPORATION— a joint venture company established with Seiko Epson Corporation. To improve management resource efficiency, in December 2006 the joint-venture contract was dissolved and all of the company-owned stocks in this joint venture company were transferred to Seiko Epson Corporation, after which SANYO withdrew from this business.

■Financial Services Business

In December 2005 we transferred part of our stockholding in SANYO Electric Credit Co., Ltd. to the Goldman Sachs Group, Inc., as part of our efforts to realign and reorganize our operations by selecting and focusing operations in our business portfolio. Subsequently, in response to the tender offer of SANYO Electric Credit Co., Ltd., publicly announced in March 2007 by STV Partners Corporation, a subsidiary of General Electric Company, SANYO transferred all its SANYO Electric Credit stocks it owned to STV.

■Personnel Reduction

In the fiscal year ended March 2007 we carried out additional personnel cutbacks by implementing, for instance, provisional measures to promote the revised outplacement program, in conjunction with our efforts toward business structural transformation and the streamlining of back-office divisions.

Furthermore, a large portion of SANYO-owned stocks in SANYO Universal Electric Public Co., Ltd. was transferred to Haier Group Co. As a result of those measures, the number of SANYO employees was reduced by 11,438 from the end of March 2006, to 94,906 as of the end of March 2007.

■Reduction of Consolidated Subsidiaries

In order to strengthen subsidiary management, improve efficiency by business integration and reduce management costs, SANYO took such measures as elimination and consolidation of sales companies in Japan and overseas, and deconsolidation of subsidiaries.

Consequently, the number of consolidated subsidiaries was reduced by 31 from the end of March 2006, to 205 as of the end of March 2007.

Toward Becoming a Leading Provider of Environment- and Energy-related Products

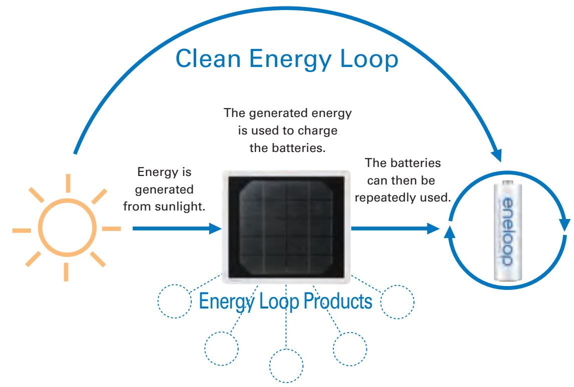
SANYO will evolve into a leading provider of Environment- and Energy-related products, while offering various solutions to environmental problems through our technology. This section presents several global environmental problems and some examples of technologies that SANYO proposes as means of resolving these problems.

Clean Energy Solutions

Concern about fossil fuel depletion represents one of the energy problems confronting society today.

SANYO has developed technologies for solar power generation systems and rechargeable batteries. By making these technologies available, SANYO provides products and services that enable resource effective use, environmental impact mitigation, and the reduction of fossil fuel consumption and CO_2 emissions.

SANYO proposes a lifestyle that enjoys various non-disposable products, by creating a clean energy loop.



The high-conversion-efficiency HIT solar cell, which realizes the world's highest* power generation capacity per installation area

The HIT (Heterojunction with Intrinsic Thin layer) is SANYO's proprietary hybrid-type solar cell in which amorphous silicon layers are formed on a single-crystalline silicon substrate. The HIT solar cell thus combines the high conversion efficiency of single-crystalline silicon and the high heat resistance of amorphous silicon.

This product realizes the world's highest* conversion efficiency of 22.0%, at the research level, in practical size (100 cm² or more) crystalline silicon-type solar cells.

In the future, SANYO will continue to develop technologies aiming at further improving energy efficiency, cost reduction and resource conservation, to help reduce environmental impact.

* According to in-house survey as of June 19, 2007

Solar module

Proposal of lifestyle with non-disposable batteries: High-performance, high-reliability rechargeable batteries that support a ubiquitous society and global environmental protection

SANYO commenced production of the nickel-cadmium battery in 1964. Since then, SANYO has developed, produced and marketed rechargeable batteries (e.g., nickel-metal hydride [Ni-MH] batteries and lithium-ion batteries) that are used as power sources for portable and cordless devices. These high-performance, high-reliability batteries contribute to the extended use-time of mobile phones, notebook computers, cordless power tools and the like, as well as encouraging the development of more compact, lightweight products with higher power.

"eneloop," a commercially available nickel-metal hydride battery, combines the advantages of both rechargeable and dry cell batteries by embodying substantial improvements in self-discharge properties. As a next-generation cell replacement for dry cell batteries, "eneloop" will help reduce the generation of used dry cell batteries.

In addition, our rechargeable batteries for hybrid electric vehicles (HEVs) improve vehicle fuel efficiency through energy recycling, helping realize low-environmental impact cars. We intend to further improve the performance of these rechargeable batteries.

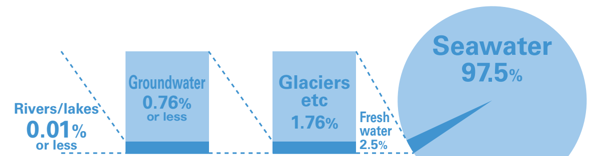
Rechargeable batteries

Rechargeable nickel-metal hydride battery "eneloop"

Water Problem Solutions

Our earth is often called the "planet with water." However, it is said that fresh water accessible to human use accounts for only 0.01% of all water on earth. Furthermore, due to groundwater depletion and water pollution, there is less and less water that can be safely used.

SANYO will save and purify water resources, using various technologies that employ ozone and electrolyzed water, so as to help resolve water problems.



Source: Data created by Water Resources Department, Land and Water Bureau, Ministry of Land, Infrastructure and Transport

Innovative drum-type washing machine "AQUA" based on concepts of water conservation and environmental protection

Using the power of air (ozone) instead of water, "AQUA" is capable of disinfecting* and deodorizing clothing and items that are conventionally difficult-to-wash at home.

In addition, by purifying and re-circulating rinse water with the power of ozone, "AQUA" achieves substantial water saving. Moreover, this product functions to clean used bathwater in its storage tank, so that the amount of fresh tap water needed for a single load of laundry can be reduced to a as little as about eight liters.

* Tests conducted by Japan Food Research Laboratories/ Testing methods: agar plate cultural method, bacteria elimination using ozone

AQUA

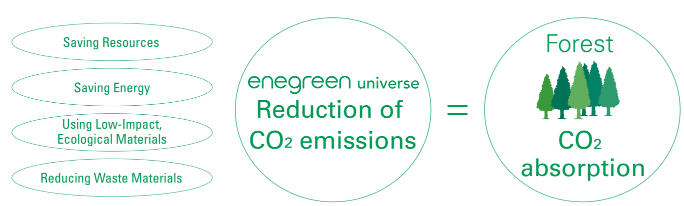
Drum-type washer/dryer
"AQUA"

Energy Solutions to Promote Greening

Global warming is among issues that are attracting the great attention worldwide.

It is now a mission of enterprises to reduce the emission of greenhouse gases, including carbon dioxide (CO_2) believed to be a major culprit in global warming.

Through total integration of energy-saving and other environmental protection technologies that we have developed for commercial equipment, SANYO has realized significant reduction in CO_2 emissions, and has proposed solutions that can help realize a pleasant living environment.



enegreen Supermarket Showcase Refrigerating System greatly reduces supermarket power consumption

This product features the W-Multi System, which connects multiple showcases and refrigeration units to create the ideal refrigerating system of capacity suited to the supermarket premises. Furthermore, the high-efficiency and energy-saving DC inverter compressors feature stepless control, optimized for the refrigerating capacity of the showcase, so as to help reduce annual power consumption.

enegreen

enegreen Supermarket Showcase Refrigerating System

Overview of Operations by Business Segment

As of the end of March 2007, SANYO conducts product sales, maintenance and service activities in the following four business segments: Consumer, Commercial, Components and Others. This section provides an overview of each business segment and explanations of its performance.

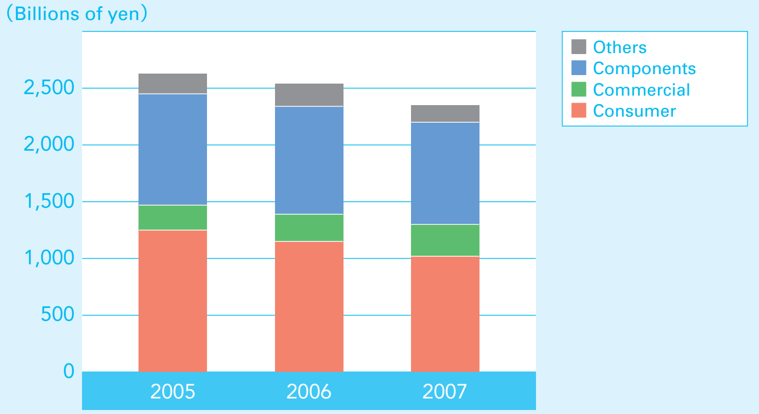
Performance by Business Segment

Fiscal years ended March 31

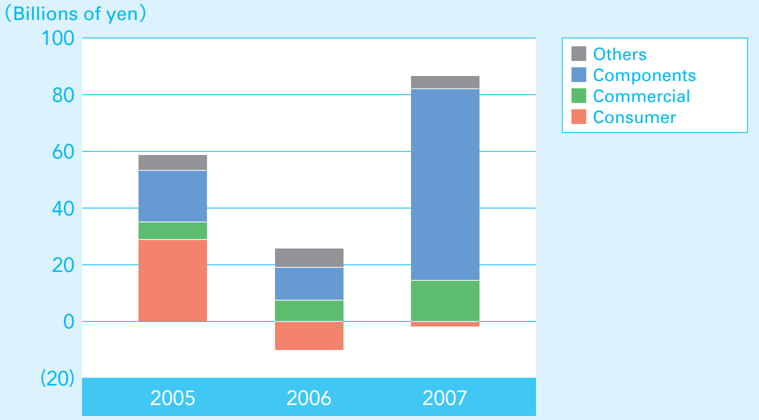
(Unit: Billions of yen)

		2007	2006	2005
Consumer	Net sales and other operating revenues	**1,017.7**	1,154.4	1,248.3
	Operating income	**(1.7)**	(9.9)	28.9
Commercial	Net sales and other operating revenues	**275.3**	236.3	216.1
	Operating income	**14.5**	7.5	6.2
Components	Net sales and other operating revenues	**900.7**	948.4	984.4
	Operating income	**67.6**	11.6	18.2
Others	Net sales and other operating revenues	**154.6**	198.9	183.7
	Operating income	**4.5**	6.7	5.4
Corporate and eliminations	Net sales and other operating revenues	**(39.7)**	(53.7)	(71.1)
	Operating income	**(35.3)**	(33.1)	(23.5)
Total	Net sales and other operating revenues	**2,308.6**	2,484.3	2,561.4
	Operating income	**49.6**	(17.2)	35.2

Net sales and other operating revenues



Operating income



Above graphs are based on figures before eliminations.

Major products and services

Consumer business segment
- Mobile phones
- Digital cameras
- LCD projectors
- Car Navigation systems
- TVs
- Washing machines
- Air-conditioners
- Refrigerators

Commercial business segment
- Showcases
- Large air-conditioners
- Absorption chillers
- Computer systems for medical applications

Component business segment
- Lithium-ion batteries
- Nickel-metal hydride batteries
- Nickel-cadmium batteries
- Solar cells
- Semiconductors
- Capacitors
- Motors
- Optical pickups

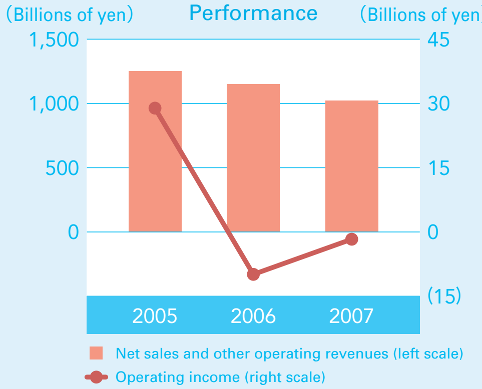
Other business segments
- Logistics
- Maintenance

Consumer Business Segment

Performance highlights

Fiscal years ended March 31

	(Billions of yen)			(Millions of U.S. dollars)
	2007	2006	2005	2007
Net sales and other operating revenues	1,017.7	1,154.4	1,248.3	8,624
Operating income	(1.7)	(9.9)	28.9	(15)
Assets	550.7	615.0	588.3	4,667
Capital investment	20.2	21.7	27.6	171
Depreciation and amortization	34.3	36.9	33.1	291
Number of employees	26,984	31,561	26,099	—



Business Environment and Performance in the Fiscal Year Ended March 2007

The consumer business segment covers AV/information and communications equipment, such as mobile phones and digital cameras, as well as electric home appliances, such as washing machines and air conditioners.

As for the business environment for this business segment, the mobile phone market expanded mainly in BRICs countries, and our digital cameras saw a substantial sales growth in North America and Asia. Despite such overall favorable market conditions, the operating environment for SANYO continued severe, due to intensifying competition and falling product prices.

Under such circumstances, for the fiscal year ended March 2007 SANYO posted net sales and other operating revenues of ¥1,017.7 billion (US$8,624 million), down 11.8% from the previous year. Operating loss was ¥1.7 billion (US$15 million), improved by ¥8.2 billion from the previous year.

With regard to AV/information and communications equipment, sales increased for LCD projectors, whose sales expanded in the education market, and for car navigation systems, which have won a positive reputation in Japan for models with a built-in one-segment broadcasting tuner. On the other hand, mobile phones, digital cameras and TVs suffered sales declines.

The sales from mobile phones decreased mainly due to fiercer competition and falling product prices. With regard to the digital camera business, which is centering on OEM business, intensification of price competition was a major factor in the sales decrease. The TV business suffered sales decline primarily because the CRT-based TV market in North America shrank rapidly.

Concerning electric home appliances, while washing machines recorded increased sales, sales of refrigerators and air conditioners were slow domestically, resulting in a decrease in sales.

We had a drop in profits due to declines in sales of AV/information and communications equipment, such as digital cameras and mobile phones. Another reason for the drop was that we accounted for a loss on disposal of inventories and evaluation loss for mobile phones. Nevertheless, incomes recovered for the entire consumer business segment, since the home appliance losses were significantly reduced as a result of structural transformation implemented since the fiscal year ended March 2006.

In the refrigerator business, in January 2007 SANYO formed an alliance with Haier Group Co., a company in China that has strong competitiveness in the world market. Specifically, to further strengthen and expand the refrigerator business, a joint venture company was established for R&D/designing and support for manufacturing technologies and quality management. In addition, it was decided to consign a greater part of the manufacturing of our household refrigerators to Haier Group Co. Through this alliance, we will strengthen our cost competitiveness and improve profitability.

Future Basic Policies and Priority Strategies

It is expected that the business environment surrounding this segment will continue to be severe, due to such factors as intensifying competitions with rival companies, falling product prices and soaring raw material prices. To cope with the situation, SANYO intends to secure profits by implementing the following strategies.

The mobile phone and digital camera businesses are among the businesses whose profitability fluctuates widely, due to intensifying competition with rival firms and shortening product lifecycles. In view of these business risks, we will work to increase the proportion of mobile phone production in Malaysia, and strengthen the production systems for the digital camera business in Vietnam and Indonesia. Through these measures we will change our business structure so as to be capable of ensuring profitability even when there is a decline in sales.

For the TV business, the headquarters functions were transferred to North America, to establish a structure capable of promptly responding to customer requests. We will continue to concentrate our management resources on the North American area.

In the electric home appliance business, we will enhance product development capabilities, sales and service functions through organizational integration with the commercial business. By carrying out efficient business management, we aim to secure profitability in our business.

Digital movie camera "Xacti"

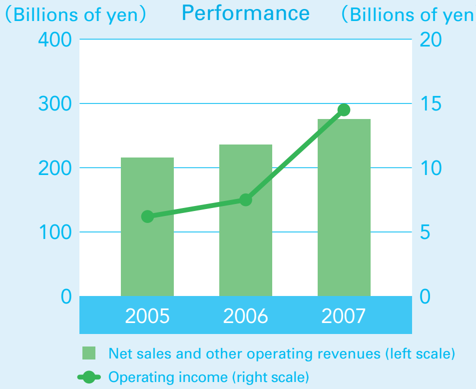
Drum-type washer/dryer "AQUA"

Commercial Segment

Performance highlights

Fiscal years ended March 31

	(Billions of yen)			(Millions of U.S. dollars)
	2007	2006	2005	2007
Net sales and other operating revenues	275.3	236.3	216.1	2,333
Operating income	14.5	7.5	6.2	123
Assets	197.8	167.5	130.3	1,676
Capital investment	4.3	3.3	3.6	37
Depreciation and amortization	5.6	5.7	4.9	47
Number of employees	6,926	6,496	6,140	—



Business Environment and Performance in the Fiscal Year Ended March 2007

The commercial business segment deals with commercial equipment, including showcases for supermarkets and convenience stores, large air conditioners including package air conditioners, and computer systems for medical applications.

In Japan, the business environment for this segment was sluggish in general, because the number of shops newly opened in the distribution market diminished, the showcase market stagnated and corporate replacement demand for large air conditioners was not manifest. On the other hand, overseas markets expanded notably in China, where economic growth was remarkable, and in Europe, which is characterized by keen environmental awareness.

Under such circumstances, for the fiscal year ended March 2007 SANYO posted net sales and other operating revenues of ¥275.3 billion (US$2,333 million), up 16.5% from the previous year. Operating income increased by ¥7 billion from the previous year to ¥14.5 billion (US$123 million).

Supermarket showcases and packaged air conditioners were sluggish due to a downturn in domestic demand. Meanwhile, as a result of our efforts to enhance and expand business overseas, showcase sales expanded in China and those of packaged air conditioners in China and Europe, leading to an increase in overall overseas sales. Also, in the biomedical business, which deals with ultra-low temperature freezers, medical cool boxes etc., overseas sales increased. In the medical systems business, further advancement of IT for medical record keeping in Japan resulted in a significant sales increase.

Sales growth mainly in overseas countries contributed to incomes increase in this segment, despite the impact of rising prices of raw materials such as copper and aluminum.

Future Basic Policies and Priority Strategies

As for the business environment surrounding this segment, it is expected that the Japanese market will remain stagnant, whereas overseas markets, notably in China and Europe, will continue to enjoy strong demand. In the future, while staying focused on strengthening business operations in the expanding overseas markets, SANYO will work to enhance its sales capabilities also in the Japanese market, which is being saturated, so as to increase sales and income.

We will expand our showcase business into China, where demand for supermarkets is brisk, with the Beijing Olympic Games close at hand, as well as into ASEAN countries and India.

As for large air conditioners, sales strategies will be augmented, aiming at further growth in the expanding the European and Chinese markets. In Europe, we will strengthen competitiveness of our packaged air conditioners, based on the production facility in Hungary.

In the commercial business segment, we have developed various energy-saving and environmentally friendly products, including a showcase that incorporates a compressor using natural refrigerant (CO_2). Through organizational integration with the electric home appliance business, the commercial business segment will continue to release high value-added products.

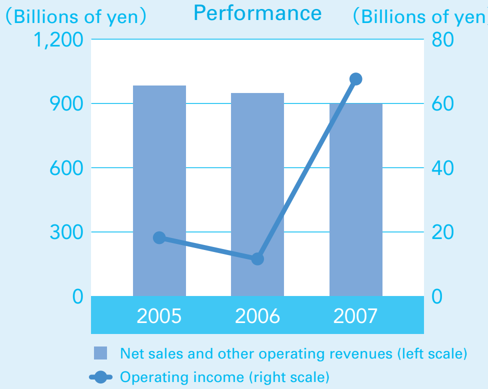
enegreen Supermarket Showcase Refrigerating System

Component Business Segment

Performance highlights

Fiscal years ended March 31

	(Billions of yen)			(Millions of U.S. dollars)
	2007	2006	2005	2007
Net sales and other operating revenues	900.7	948.4	984.4	7,633
Operating income	67.6	11.6	18.2	573
Assets	841.0	896.8	902.2	7,127
Capital investment	53.6	41.8	60.5	454
Depreciation and amortization	49.5	77.9	76.7	420
Number of employees	57,162	64,259	58,619	—



Business Environment and Performance in the Fiscal Year Ended March 2007

The component business segment covers electronic components, such as capacitors and motors, rechargeable batteries including lithium-ion batteries, solar cells, optical pickups and other products.

The business environment for this segment generally remained favorable during the fiscal year ended March 2007, with strong demand for electronic components, semiconductors and lithium-ion batteries, backed by expansion of markets for applications of mobile phones, notebook computers, digital cameras, game consoles etc.

Under such circumstances, for the fiscal year ended March 2007 SANYO recorded net sales and other operating revenues of ¥900.7 billion (US$7,633 million), down 5.0% from the previous year. Operating income increased by ¥56 billion from the previous year to ¥67.6 billion (US$573 million).

As for rechargeable batteries, although lithium-ion batteries for notebook computers saw steady progress, there was a decrease in sales for mobile phones, leading to a decrease in overall sales. For semiconductors, as a result of ongoing structural transformation, including the product selection and focus strategy, sales decreased. Sales of optical pickups also decreased, due to price declines and so on.

Meanwhile, sales of solar cells increased substantially, with sales growth in Europe and Japan. Electronic components continued to suffer price decline. However, thanks to active market demand for mobile phones, personal computers etc., the sales quantity of capacitors and vibration motors increased, resulting in increased sales.

A major factor contributing to the sales decline in this business segment was the decrease in sales of LCD panel business, from which SANYO had withdrawn.

In terms of incomes, our efforts for structural transformation produced their effects, greatly improving performance in the semiconductor business, which returned to profitability. Moreover, income from electronic components increased, which resulted in their profit expansion. As for rechargeable batteries and solar cells, we also recorded profit increases through the effects of our cost reduction efforts, despite difficult conditions brought about by soaring raw material prices. As a result, the entire component business segment achieved a substantial income increase.

Future Basic Policies and Priority Strategies

For this business segment, we forecast that demand from expanding markets for mobile phone, notebook computer and game console applications will continue to grow, and that demand for solar cells will remain strong in Europe, supported by keen environmental awareness. In terms of income, however, the business environment surrounding this business segment is expected to be severe, given the significant surge in costs of raw materials for rechargeable batteries and solar cells. SANYO will take measures to achieve further growth, by concentrating management resources particularly on the core businesses such as the rechargeable batteries, solar cells and electronic component businesses.

As for rechargeable batteries, we will focus on lithium-ion batteries, aiming at increase in sales quantity, as well as increase in production capacity by means of capital investment. Concerning rechargeable batteries for hybrid electric vehicles (HEVs), we will work to enhance the performance of nickel-metal hydride batteries for HEVs, and to realize early commercialization of a HEV lithium-ion battery, which is anticipated as a next-generation rechargeable battery for HEVs.

In the solar cell business, we will make capital investment to enhance cell manufacturing capacity, and will augment our sales strategies in Europe, North America and Asia, so as to increase sales. At the same time, we will strengthen measures to ensure stable procurement raw materials.

HIT solar module

Lithium-ion batteries

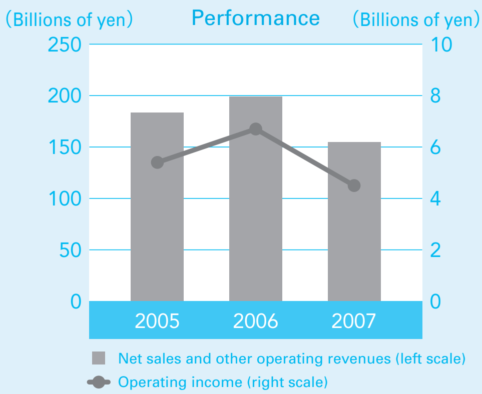
Battery system for HEVs

Other Business Segment

Performance highlights

Fiscal years ended March 31

	(Billions of yen)			(Millions of U.S. dollars)
	2007	2006	2005	2007
Net sales and other operating revenues	154.6	198.9	183.7	1,310
Operating income	4.5	6.7	5.4	38
Assets	144.7	120.6	669.8	1,227
Capital investment	0.7	2.0	1.6	6
Depreciation and amortization	2.3	3.2	3.0	19
Number of employees	2,418	2,570	3,436	—



Business Environment and Performance in the Fiscal Year Ended March 2007

Other business segment comprise nonmanufacturing businesses, including the logistics business, in which SANYO Electric Logistics Co., Ltd. plays a central role, and the maintenance service business.

In the distribution industry, in which SANYO plays its role, demand for international freight transport remained firm, owing to continued economic expansion in the U.S., China and other countries. However, with sluggish growth in cargo volume, the business environment for domestic freight transport has continued to be tough, affected by the intensification of inter-carrier competition and surging fuel prices.

Under such circumstances, for the fiscal year ended March 2007 SANYO posted net sales and other operating revenues of ¥154.6 billion (US$1,310 million), down 22.3% from the previous year. Operating income decreased by ¥2.2 billion from the previous year to ¥4.5 billion (US$38 million).

A factor influencing the above declines is that SANYO Homes Co., Ltd. was changed from a consolidated subsidiary to an affiliate accounted for by the equity method.

Future Basic Policies and Priority Strategies

On the basis of the Medium-term Management Plan, SANYO has concentrated its management resources on its core businesses. As part of such efforts, by selling a portion of its stockholdings in SANYO Electric Credit Co., Ltd., SANYO rendered SANYO Electric Credit a discontinued operation in the fiscal year ended March 2006. As a result of such structural transformation, the scale of this business segment is exhibiting a shrinking trend.

In the logistics industry on the other hand, outsourcing and other new business models are in the growth process in Japan. In addition, international logistics has shown remarkable growth in recent years.

SANYO strives for steady growth of the logistics business, by expanding third-party logistics business and by promoting the establishment of a common platform among electrical appliance manufacturers.

Overview of Capital Investment/Research and Development

Overview of Capital Investment

SANYO has worked on full-fledged business selection and focus strategies as well as growth strategies centering on future core businesses. In line with these strategies, during the fiscal year ended March 2007 we primarily directed capital investment to the component and consumer business segments. The capital investment involved totaled ¥79.6 billion (US$675 million).

We invested capital totaling ¥20.2 billion (US$171 million) in the consumer business segment. The investment went mainly toward manufacturing facilities for telephone devices, digital cameras, LCD projectors, car electronics and washing machines.

In the commercial business segment, ¥4.3 billion (US$36 million) was invested. The main targets of this investment were manufacturing facilities for absorption chillers and showcases.

For the component business segment, our capital investment was ¥53.6 billion (US$454 million), directed primarily toward manufacturing facilities for lithium-ion batteries, solar cells, electronic components, compressors and semiconductors.

In the other business segments, our capital investment was ¥0.7 billion (US$6 million).

Overview of Research and Development

Under the "Think GAIA" vision, with the aim of becoming a company that delights life and the Earth, the Technology R&D Headquarters of SANYO works as one with each internal company, enabling us to create products and offer solutions from a new perspective by making full use of our proprietary technologies.

During the fiscal year ended March 2007, we implemented initiatives for selecting and focusing on development themes, so as to strengthen our technological development capabilities. At the same time, the process of new business creation was accelerated through technology fusion. As a result, the research and development expenditures of SANYO for the fiscal year ended March 2007 amounted to ¥127.3 billion (US$1,079 million).

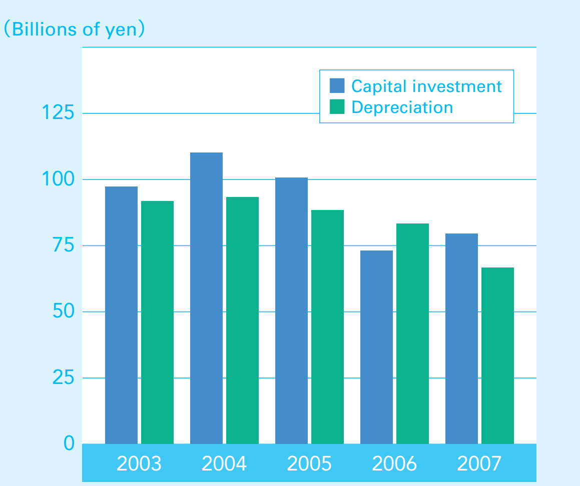
Research and development expenditures associated with the consumer business segment totaled ¥59.2 billion (US$502 million), used mainly for researching and developing basic technologies relating to next-generation audiovisual equipment, information and communications equipment, and electric home appliances.

Research and development expenditures associated with the commercial business segment were ¥18.6 billion (US$157 million), used mainly for the research and development of basic technologies relating to next-generation industrial equipment and systems.

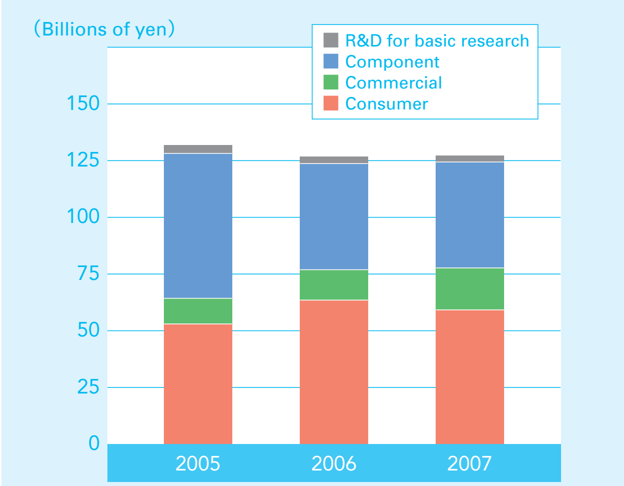
Research and development expenditures associated with the component business segment totaled ¥46.7 billion (US$396 million), used mainly for the research and development of basic technologies relating to next-generation rechargeable batteries, solar cells, electronic components and semiconductors.

Research and development expenditures unrelated to the above-mentioned business segments amounted to ¥2.8 billion (US$24 million).

Capital investment and Depreciation (excluding amortization)
Fiscal years ended March 31



Research and development expenditures
Fiscal years ended March 31



SANYO is committed to obtaining stakeholders' trust by enhancing the soundness, efficiency and transparency of the corporate management. At the same time, SANYO is working to develop an internal control system and to ensure that the system functions efficiently.

Management System

■Board of Directors and Board of Auditors

The Company holds regular monthly meetings of the Board of Directors, to make important decisions and oversee business execution by executives. The resolution of certain important matters requires the approval of more than two-thirds of the total Board. To facilitate careful deliberation at such meetings and improve management efficiency, all board members attend the Steering Committee, which are held at least twice a month.

The Steering Committee preliminarily review items on the agenda for the meeting of the Board of Directors, and make swift decisions regarding fundamental and important subjects relating to certain business implementations. As of June 30, 2007, the Board of Directors comprises nine directors, two of whom are outside directors.

Under our auditing system, the Company has a Board of Auditors. Corporate Auditors attend Board of Directors meetings and other important meetings, inspect important documents of decisions and receive reports from internal audit sections and other relevant departments. Through these activities, Corporate Auditors stringently monitor the performance of directors. Corporate Auditors also inquire into the auditing policies and plans of Accounting Auditors, and receive reports and explanations on the results of audits performed as occasion arises, so as to ensure mutual coordination with Accounting Auditors. As of June 30, 2007, the Board of Auditors comprises six corporate auditors, three of whom are outside auditors.

■Improving and Strengthening the Internal Control System

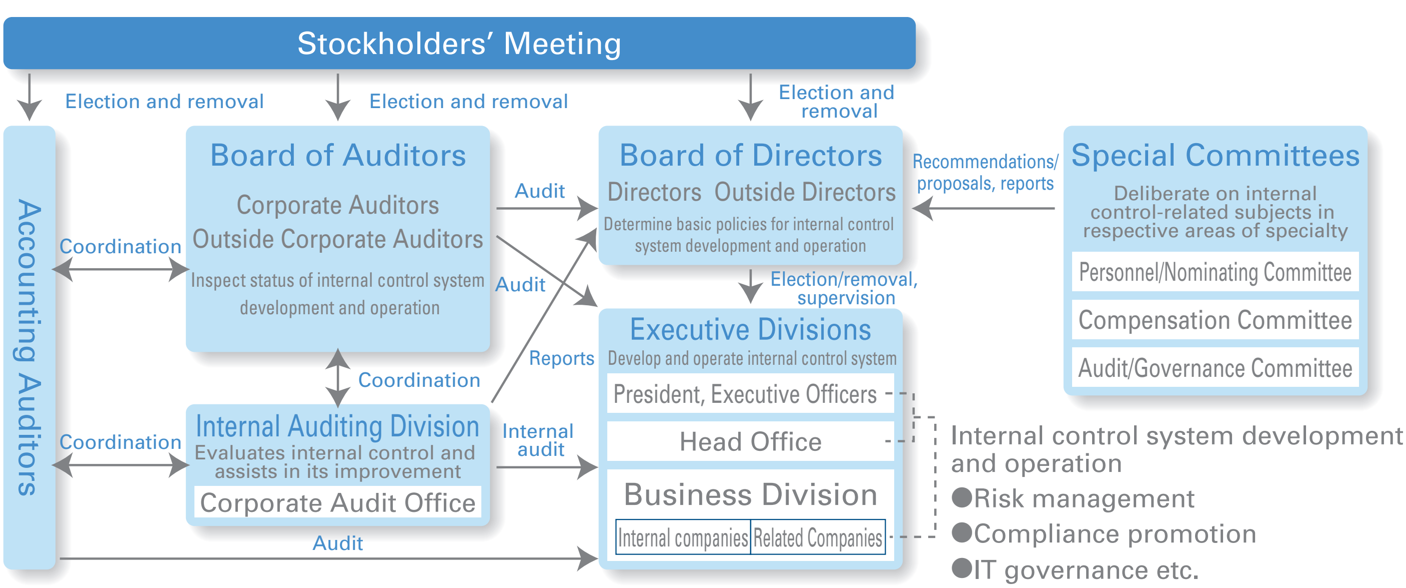
SANYO is committed to obtaining stakeholders' trust by enhancing the soundness, efficiency and transparency of our corporate management, so as to develop sustainably as an enterprise. To this end, SANYO believes it essential to develop an internal control system so as to ensure that the effective system function, as well as to comply with relevant laws and regulations.

SANYO promotes internal control from three perspectives: financial reporting, risk management and compliance. To further improve and strengthen internal control, SANYO has set up the Internal Auditing Division in the Head Office. The Division works to ensure efficient business practices in compliance with laws and regulations, also reporting audit results and other relevant information to the Corporate Auditors. In this manner, the Division works to maintain and improve auditing quality by enhancing the efficiency and effectiveness of audit activities in coordination with the Corporate Auditors.

■Information Disclosure and Accountability

To ensure management transparency and fulfill its accountability, SANYO has established the information disclosure system, and has disclosed information in a timely and appropriate manner. SANYO willingly discloses information about our management via financial statements and other legally required reporting documents, as well as via annual reports, sustainability reports, our website and other means.

Management System and Internal Control System



Compliance

SANYO regards compliance (the observing applicable laws and internal rules, or the act on ethics) as an important basis for continuity of business operations. In 2006, we established the SANYO Electric Group Code of Conduct and Ethics, to be applied to our executives and employees working at SANYO all over the world. The Code of Conduct and Ethics provides guidelines for day-to-day work and other corporate activities from the perspective of compliance.

■Compliance Promotion System

We have established a compliance promotion system, led by the Chief Supervisor (President) and the Compliance Officer (selected from among executives). In addition, compliance leaders appointed by head office, each internal company and each division play a central role in promoting compliance efforts. Compliance leaders ensure adherence to the Code of Conduct and Ethics and prevent violation of laws and regulations.

For early detection of and response to compliance-related issues, we have installed Compliance Hotlines inside and outside the Company, as service desks to receive inquiries from and offer consultations to our employees. The contents of inquiries from employees and consultations are reported via the Corporate Audit Office to Chief Supervisor and Compliance Officer, however, based on the guidance, measures such as investigation and assistance for improvement are forwarded.

■Compliance Promotion in Key Areas

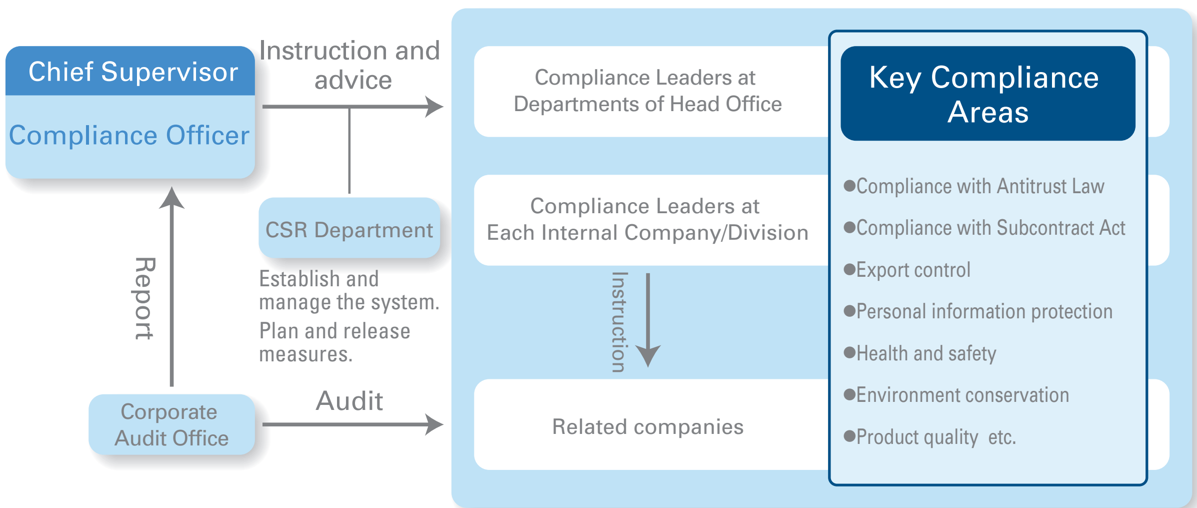
Compliance involves various areas, from among which we have designated key compliance areas that require Group-wide commitment. These key areas include compliance with Antitrust Law, export control, personal information protection, product quality and health and safety. For each of these key areas we have developed internal rules, according to which management is exercised.

■Dissemination of Code of Conduct and Ethics to All Employees

SANYO formulated its Code of Conduct and Ethics in 2006. We have published the Code for the countries and regions where SANYO's subsidiaries and affiliated companies are located (14 languages), so as to disseminate the Code to the Sanyo's executives, officers and employees worldwide. Furthermore, in the fiscal year ended March 2007 we issued the compliance guidelines (the 2nd version), to explain the Code and present compliance-related cases. The compliance guidelines have been distributed to the SANYO's executives, employees and temporary staffs in Japan.

In accordance with establishment of the Code of Conduct and Ethics, we have updated the compliance education programs for stratified training. As tasks to be continued in the fiscal year ending March 2008 and beyond, we are preparing manuals and establishing systems whereby to receive compliance-related inquiries and offer consultations in other regions and countries than Japan, in conjunction with the reinforcement of global management.

Compliance Promotion System



Risk Management

Regarding risks that may have a significant impact on business operations, it is necessary to analyze the possibility of risk occurrence, to quickly detect risk and take necessary measures to minimize the damage should the risk occur.

Each division of SANYO has been consistent in its efforts to identify, assess, respond to and review risks. We are also planning a series of Group-wide risk management meetings, at which to share and discuss issues concerning the progress in risk management and its promotion, and to review our risk management policies, in the fiscal year ending March 2008 and onward.

■Risk Management System

SANYO has designated one executive as Chief Supervisor, and has set up a department that supports the Chief Supervisor, to conduct risk management throughout the Group.

During the fiscal year ended March 2007, as part of our effort to enhance and strengthen the internal control system we explicitly stated, in job descriptions the risks to be addressed, so as to clarify our responsibility and authority for responding to risks. In the fiscal year ending March 2008 and onward, to further strengthen our ongoing efforts, we will implement comprehensive risk management by establishing the risk management system in accordance with JISQ2001 (Japan Industrial Standards guidelines for building risk management systems). Specifically, during the fiscal year ending March 2008 we will establish the system and operate it on a trial basis, and will begin full-scale operation in the fiscal year ending March 2009 and beyond.

SANYO Electric Group Risk Management Policies

Established May 2007

1. Fundamental Objectives of Risk Management
   By appropriately responding to risks that may significantly impact business operations, we will mitigate damage to management resources and quickly recover from damage in the event of emergency, so as to enable early resumption of operations and thereby enhance our corporate value.

2. Risk Management Principles
   (1) To ensure the safety and health of employees and the conservation of management resources
   (2) Not to damage the safety, health or benefits of parties concerned
   (3) To take speedy and appropriate measures for recovery if management resources are damaged
   (4) To take responsible action in compliance with laws and regulations as well as social norms, if risk becomes apparent
   (5) To improve the social valuation of the company through constant risk management activities
   (6) To reflect social demand regarding risks in our risk management

Business Risk Factors

Major risk factors that may affect SANYO's business results, stock prices, financial conditions etc. are set out below. All forward-looking statements included in this section are based on SANYO's judgment as of March 31, 2007.

Business-related Risks

- Every SANYO product is designed and manufactured in accordance with relevant laws, regulations and public standards in the country where the product is sold. However, it cannot be stated as fact that SANYO's future products will have no defects of any kind, and that no product recall will occur. Although SANYO is insured by product liability insurance and recall insurance, there is no assurance that any possible future liability claims can be fully covered by such insurance. In the event of a large-scale product recall or lawsuit against SANYO over product liability, uncertainty regarding the Company's creditworthiness may arise and the cost of compensation could adversely affect SANYO's business results.
- In the business areas where SANYO operates, technological innovation is advancing at a rapid pace, and market needs are changing quickly. Existing products and services could rapidly become obsolete and lose marketability. SANYO is therefore making its constant efforts to provide advanced and attractive products and services. If it fails to develop advanced technology or introduce new products and services into the market in an optimum manner, however, SANYO may not be able to maintain competitiveness, and its business results and financial conditions could deteriorate.
- SANYO is making efforts to create and protect intellectual property rights. However, it may not be possible to entirely prevent third parties who illegally use such rights held by SANYO from manufacturing and selling imitations or other fraudulent products. Meanwhile, of products manufactured and marketed by SANYO, some are manufactured under license from other companies. There is the future possibility that necessary licenses cannot be granted or unfavorable conditions could be attached to the granting of licenses. Furthermore, although SANYO pays the greatest attention to intellectual property rights held by third parties at the time of product development, it could face unforeseen litigation from third parties for infringement of intellectual property rights.
- Production and supply systems have become borderless, and competitors have spread worldwide. With the expanding technological capabilities of manufacturers in South Korea, Taiwan and China, where labor cost is lower than in Japan, product prices are rapidly dropping. If product prices drop at a faster-than-expected pace and SANYO fails to maintain cost competitiveness, its business results could be adversely affected.
- SANYO uses various raw materials. There is a possibility that raw materials prices could sharply climb, due to such factors as social conditions, unbalanced supply and demand, or speculative price manipulation. SANYO procures raw materials in accordance with the relevant plan, but a sharp rise in raw materials prices could push the ratio of raw materials price up considerably. Although SANYO plans to take necessary countermeasures, such as cutting fixed costs, a rapid hike in raw materials prices may make it difficult to take such measures, and could have a negative impact on SANYO's performance.
- In recent years, various lawsuits have been filed over employee inventions and their attribution. SANYO has established its rules on employee inventions and makes necessary payments to relevant inventors in accordance with the rules. Nevertheless, there is a possibility that SANYO could face lawsuits on the basis of employee inventions and payment of compensation may be required.
- With regard to environmental problems, SANYO is making efforts to improve environmental management, including periodic audits and the promotion of green procurement. SANYO avoids using specified chemical substances for products and investigates soil and groundwater contamination. Nevertheless, supplier negligence, surfacing of pollution resulting from past activities, amendments to laws and regulations and other factors could damage not only SANYO's performance, but also its credibility.
- SANYO closely investigates the credit standings of business customers before initiating transactions. However, in the event of contingent liability or other problems, SANYO may discontinue transactions with a business customer. If that happens, the supply of products or parts could be suspended temporarily, or SANYO could incur losses due to bad debt.
- In addition to SANYO brand products, a high proportion of SANYO products are produced on an OEM basis. Additionally, components account for a large percentage of sales. Therefore, policy changes (such as second sources and cost cutting) at OEM purchasers or companies to which SANYO supplies components could cause orders received to diminish, which may adversely affect SANYO's performance.
- SANYO actively promotes various types of alliances with other companies—including technological collaboration, business cooperation and establishment of joint ventures—in such areas as manufacturing, sales, and research and development. However, various circumstances could cause SANYO and a counterparty to terminate such collaborative relations or fail to achieve substantial results. In such cases, SANYO's performance may be affected.
- From time to time SANYO obtains personal information and other information on customers, suppliers and other parties. Although SANYO employs various measures to protect such information, the possibility of leakage is not zero. In the event of leakage of such information, SANYO's credibility may be undermined and liability for damages could be incurred. This could eventually have a negative impact on SANYO's business results.
- In November 2005 SANYO established the Medium-term Management Plan for the three-year period through the fiscal year ending March 2008 and is undergoing structural transformation in accordance with the Plan. In this connection, if a business alliance or establishment of a joint venture with another company does not progress as stipulated in a basic agreement due to some inconvenient circumstances, or when expected results cannot be obtained, SANYO could incur relevant costs and its business results could be adversely affected.
- SANYO is making every effort to ensure compliance with laws and regulations and has strengthened internal control for that purpose. However, if SANYO fails to accomplish said purpose, violations of laws, regulations or other rules may occur, which could affect SANYO's business results.

Labor-related Risks

- SANYO places particular importance on employing and fostering capable personnel because adequate know-how and knowledge are required to develop and produce its products. If SANYO fails to prevent existing employees from flowing out of the Group, or fails to hire capable personnel, its future growth and performance could be adversely affected.

Financial Risks

- A fall in stock prices due to rapid changes in market conditions and a drop in land prices could cause the value of assets held by SANYO to diminish.
- Rapid changes in interest rates may have a negative impact on SANYO's performance.
- A considerable proportion of the transactions carried out by SANYO are overseas transactions. Fluctuations in foreign currency exchange rates could therefore have a significant impact. Although SANYO is making efforts to hedge against such risk by such means as adjusting the proportion of overseas production, forward exchange contracts etc., related risk cannot be entirely eliminated. In the event of major exchange rate fluctuations in the future, SANYO's performance could be adversely affected.
- In a syndicated loan contract and a commitment line contract, the Company made a commitment to maintain its long-term issue rating, given by Rating and Investment Information, Inc. or Japan Credit Rating Agency, Ltd., whichever is higher, at BBB- or above. In the event of the Company's failure to meet such commitment, at the request of majority lenders the Company may lose its right not to pay before the due date with regard to obligations under the syndicated loan contract, and the same right with regard to obligations under the commitment line contract. In addition, all lenders' loan obligations may be extinguished.
- The Company issued preferred stocks in March 2006. Possible conversion of preferred stocks into common stocks in the future could cause dilution of the Company's common stocks and may impact its stock price.
- SANYO has adopted a retirement pension system that employs an external pension fund. Any drop in the value of pension assets due to deterioration in investment returns, or any increase in accumulated benefit obligations due to a drop in the discount rate, could lead to a rise in actuarial losses and an increase in retirement pension costs in the future.

Political, Economic and Social Risks

- SANYO has sales and production bases all over the world, thereby diversifying country risk. Nevertheless, sudden policy changes or economic fluctuations in such countries could cause SANYO to temporarily post losses or face problems in product supply.
- Terrorist attacks or other unexpected events could hinder transactions with the country involved and have a negative impact on SANYO's performance.

Disaster and Accident-related Risks

- Regarding damage from natural disasters, SANYO has already taken countermeasures to minimize possible influence on relevant operations, after examining the cost effectiveness of such measures. However, a major natural disaster beyond the scope of assumption in an area of SANYO operations would inevitably cause damage and a halt in production, which could result in the loss of customer trust and deterioration in SANYO's performance.
- Antivirus software has been installed on every computer used by SANYO. Nevertheless, in the event of a computer virus attack, there is a possibility that SANYO's certain facilities could suffer damage, possibly leading to interruption of some operations and delays in production and shipment.

Financial Section

Selected Financial Data

SANYO Electric Co., Ltd. and Subsidiaries As of and for the years ended March 31, 2007, 2006, 2005, 2004, and 2003

	Millions of Yen					Thousands of U.S. Dollars (Note a)
	2007	2006	2005	2004	2003	2007
For the year:						
Net sales	¥2,215,434	¥2,397,026	¥2,484,639	¥2,508,018	¥2,182,553	$18,774,864
Operating income (loss) (Notes b and c)	49,568	(17,154)	35,236	87,113	57,963	420,068
Income (loss) before income taxes and minority interests from continuing operations (Note c)	(13,070)	(165,696)	(68,767)	41,523	(80,072)	(110,763)
Net income (loss) from continuing operations (Note c)	(45,362)	(200,330)	(172,906)	12,262	(63,692)	(384,424)
Net income (loss) from discontinued operations (Note c)	—	(5,331)	1,362	1,138	2,021	—
Net income (loss)	(45,362)	(205,661)	(171,544)	13,400	(61,671)	(384,424)
Capital expenditure	79,622	73,104	100,740	110,172	97,289	674,763
Depreciation and amortization	94,887	128,042	121,627	113,451	124,450	804,127
At the year-end:						
Total stockholders' equity	¥ 312,008	¥ 402,892	¥ 288,268	¥ 497,302	¥ 426,026	$ 2,644,135
Total assets	1,970,940	2,154,837	2,600,677	2,643,627	2,686,967	16,702,881
Per share (Yen and U.S. dollars) (Notes c and d):						
Net income (loss) :						
Basic						
Net income (loss) from continuing operations	¥ (72.7)	¥ (192.4)	¥ (93.2)	¥ 6.6	¥ (34.2)	$ (0.62)
Net income (loss) from discontinued operations	—	(2.6)	0.7	0.6	1.1	—
Net income (loss)	(72.7)	(195.0)	(92.5)	7.2	(33.1)	(0.62)
Diluted						
Net income (loss) from continuing operations	¥ (72.7)	¥ (192.4)	¥ (93.2)	¥ 6.6	¥ (34.2)	$ (0.62)
Net income (loss) from discontinued operations	—	(2.6)	0.7	0.6	1.1	—
Net income (loss)	(72.7)	(195.0)	(92.5)	7.2	(33.1)	(0.62)
Cash dividends declared	—	—	3.0	6.0	6.0	—
Per American Depositary Share (Yen and U.S. dollars) (Notes c, d and e):						
Net income (loss)						
Basic						
Net income (loss) from continuing operations	¥ (363.3)	¥ (961.9)	¥ (466.2)	¥ 33.0	¥ (170.9)	$ (3.08)
Net income (loss) from discontinued operations	—	(12.9)	3.7	3.0	5.4	—
Net income (loss)	(363.3)	(974.8)	(462.5)	36.0	(165.5)	(3.08)
Diluted						—
Net income (loss) from continuing operations	¥ (363.3)	¥ (961.9)	¥ (466.2)	¥ 33.0	¥ (170.9)	$ (3.08)
Net income (loss) from discontinued operations	—	(12.9)	3.7	3.0	5.4	—
Net income (loss)	(363.3)	(974.8)	(462.5)	36.0	(165.5)	(3.08)
Cash dividends declared	—	—	15.0	30.0	30.0	—
Weighted average number of shares (thousands) (Note d)	1,853,675	1,854,591	1,854,947	1,855,193	1,863,198	
Sales by product category :						
Consumer	¥1,009,698	¥1,146,765	¥1,228,169	¥1,235,965	¥1,027,804	$ 8,556,763
Commercial	270,553	234,962	212,842	197,978	199,697	2,292,822
Component	875,114	911,750	946,433	985,324	858,867	7,416,220
Others	60,069	103,549	97,195	88,751	96,185	509,059
Net sales	¥2,215,434	¥2,397,026	¥2,484,639	¥2,508,018	¥2,182,553	$18,774,864
Sales by area:						
Japan	¥ 953,713	¥1,162,390	¥1,259,494	¥1,266,876	¥1,123,543	$ 8,082,314
Asia	648,160	620,219	634,778	668,610	549,785	5,492,881
North America	370,214	360,928	333,275	335,139	294,206	3,137,407
Europe	182,014	185,062	181,612	186,469	167,783	1,542,491
Others	61,333	68,427	75,480	50,924	47,236	519,771
Net sales	¥2,215,434	¥2,397,026	¥2,484,639	¥2,508,018	¥2,182,553	$18,774,864
Other information:						
Price range of common stock (Tokyo Stock Exchange; Yen and U.S. dollars):						
High	¥ 324	¥ 363	¥ 545	¥ 614	¥ 633	$ 2.75
Low	148	237	330	326	264	1.25
Number of employees (at the year-end)	94,906	106,389	96,023	82,337	79,025	

Notes:(a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2007. See Note 3 of Notes to Consolidated Financial Statements.
(b) To be consistent with financial reporting principles and practices generally accepted in Japan, operating income (loss) is calculated as net sales and operating revenue less cost of sales and selling, general and administrative expenses. The Company considers showing operating income (loss) convenient for investors to compare SANYO's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges - for example, restructuring and impairment charges and abnormal product warranty costs - would be included in the determination of operating income (loss) in the consolidated statements of income.
(c) Due to the sale of SANYO Electric Credit Co., Ltd. on December 27, 2005, SANYO shows its business results and profit or loss on sale independently as discontinued operations. Prior period results have been reclassified to conform to the 2006 presentation.
(d) See Notes 2 and 23 of Notes to Consolidated Financial Statements.
(e) One American Depositary Share represents five shares of common stock.

Management's Discussion and Analysis of Financial Conditions and Results of Operations

Analysis of Major Factors Affecting Performance

1. OVERVIEW

During the fiscal year under review, the Japanese economy followed a recovery trend as capital investment increased on the strength of improving corporate profits, despite weakness in personal consumption. The world economy also maintained a steady tone, reflecting the growing Chinese and other Asian economies and the continued economic recovery in Europe, though there were destabilizing factors such as a surge in crude oil and other raw materials prices, and a slowdown in the U.S. economy due to decreased housing investment.

Meanwhile, SANYO continued to operate in a severe business environment, affected by a surge in raw materials prices and decline in product prices.

SANYO worked out a 3-year Medium-term management plan (fiscal 2005 - 2007) under the "Think GAIA" vision, a vision of transforming SANYO into a company that delights the Earth and life, and has promoted structural reform with the aim of becoming "a leading provider of environmental- and energy-related products and services." In these efforts, SANYO designated core businesses on which its management resources should be concentrated, and businesses whose business models should be fundamentally reviewed. This fiscal year, to complete its business restructuring, SANYO focused on the structural reform of businesses and, in preparation for facilitating growth in fiscal 2007 (the final year of the Medium-term management plan) and subsequent years, implemented the following measures:

- In semiconductor business, income improved substantially as a result of fixed cost reduction and other structural reform efforts that SANYO promoted. However, because a large amount of capital investment would be required for further growth of the business, last July SANYO separated the business as an independent entity so as to ensure quick response to changes in business environment and flexible funding from the capital market.
- In television business, the headquarters function was transferred to North America, the business's main operation area, so as to establish a system that can readily respond to customer needs. Also, SANYO set up a joint venture with Taiwan's Quanta Computer Inc., for planning, developing and materials purchasing for television production, and commenced domestic sales of jointly-developed LCD televisions.
- In household refrigerator business, SANYO launched a strategic partnership with China's Haier Co., Ltd., a company with a strong competitive edge in the world market. Specifically, to further strengthen and enhance the refrigerator business, a joint venture for research and development/designing and support for manufacturing technologies/quality control was set up, and most of the household refrigerator manufacturing operation was transferred to this joint venture.
- To enhance its product development capability through synergy between aqua technologies (environmental/water-treatment technologies) and commercial technologies, and to further expand the businesses, the operation base for the washer/dryer business was transferred from the Shiga Office to SANYO Tokyo Manufacturing, the operation base for HVAC (heating, ventilating and air conditioning) products and commercial equipment business.
- Liquid crystal panel business had been operated at SANYO Epson Imaging Device Corporation, a joint corporation with Seiko Epson Corporation. But to streamline management resources, in December 2006 SANYO assigned all the shares it owned to Seiko Epson, to cancel the joint-venture contract. With this, SANYO withdrew from this business.

In addition to these efforts, considering the big environmental changes seen in its core businesses this fiscal year, SANYO revised part of its Medium-term management plan in November 2006, to ensure future recovery and growth. Along with this revision, additional structural reform measures were implemented, including reorganizing global production bases in the digital camera business, increasing the proportion of overseas production in the mobile phone business and reducing domestic and overseas workforces.

In the fiscal year under review, although sales increased in large air conditioners, showcases, solar batteries and electronic components, sales in such products as mobile phones and digital cameras, which could not respond to big changes in the business environment, declined greatly. As a result, consolidated sales totaled ¥2,215.4 billion (US$18,775 million), a 7.6% decrease from the previous year, while the other operating revenue rose 6.8% from the previous year to ¥93.2 billion (US$790 million).

On the profit front, operating income (*) returned to profitability with ¥49.6 billion (US$420 million) due to reduction in the cost of sales ratio and other factors. But because ¥25.0 billion (US$212 million) in expenses for additional structural reform programs and ¥15.3 billion (US$130 million) in product-associated costs were recorded, this fiscal year marked a ¥13.1 billion (US$111 million) loss before income taxes from continuing operations and a ¥45.4 billion (US$385 million) net loss.

Free cash flow substantially decreased from the previous year to net cash outflow of ¥24.4 billion (US$207 million), due to a moderate ¥16.2 billion (US$137 million) (¥99.8 billion in previous year) sale of available-for-sale securities.

(*) For consistency with financial reporting principles generally accepted in Japan, operating income (loss) is calculated as net sales and operating revenue less cost of sales and selling, general and administrative expenses. SANYO is considering showing operating income (loss), making it convenient for investors to compare SANYO's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges - for example, restructuring and impairment charges and abnormal product warranty costs - are included in the consolidated statements of operations as part of operating income (loss).

2. IMPACT OF EXCHANGE RATE FLUCTUATIONS

If the principal foreign currency denominated transactions were converted using the exchange rate applied for the previous fiscal year, net sales and operating revenue would increase ¥32.9 billion (US$279 million), while operating

Business Segments (Unaudited)

	2007							
	Billions of Yen							
	Net Sales and Other Operating Revenue			Operating Income	Assets	Depreciation and Amortization	impairment	Capital Expenditure
	External	Intersegment	Total					
Consumer	¥1,011.4	¥ 6.3	¥1,017.7	¥ (1.7)	¥ 550.7	¥ 34.3	¥ 3.9	¥ 20.2
Commercial	274.1	1.2	275.3	14.5	197.8	5.6	—	4.3
Component	872.6	28.1	900.7	67.6	841.0	49.5	3.2	53.6
Others	150.5	4.1	154.6	4.5	144.7	2.3	0.1	0.7
Sub-total	2,308.6	39.7	2,348.3	84.9	1,734.2	91.7	7.2	78.8
Corporate and eliminations	—	(39.7)	(39.7)	(35.3)	236.7	3.2	2.7	0.8
Total	¥2,308.6	¥ —	¥2,308.6	¥ 49.6	¥1,970.9	¥ 94.9	¥ 9.9	¥ 79.6
	Millions of U.S. Dollars							
Consumer	$ 8,571	$ 53	$ 8,624	$ (15)	$ 4,667	$ 291	$ 33	$ 171
Commercial	2,323	10	2,333	123	1,676	47	—	37
Component	7,395	238	7,633	573	7,127	420	27	454
Others	1,275	35	1,310	38	1,227	19	1	6
Sub-total	19,564	336	19,900	719	14,697	777	61	668
Corporate and eliminations	—	(336)	(336)	(299)	2,006	27	23	7
Total	$ 19,564	$ —	$ 19,564	$ 420	$ 16,703	$ 804	$ 84	$ 675

	2006							
	Billions of Yen							
	Net Sales and Other Operating Revenue			Operating Income	Assets	Depreciation and Amortization	impairment	Capital Expenditure
	External	Intersegment	Total					
Consumer	¥1,146.5	¥ 7.9	¥1,154.4	¥ (9.9)	¥ 615.0	¥ 36.9	¥ 24.5	¥ 21.7
Commercial	233.0	3.3	236.3	7.5	167.5	5.7	—	3.3
Component	912.4	36.0	948.4	11.6	896.8	77.9	64.9	41.8
Others	192.4	6.5	198.9	6.7	120.6	3.2	1.9	2.0
Sub-total	2,484.3	53.7	2,538.0	15.9	1,799.9	123.7	91.3	68.8
Corporate and eliminations	—	(53.7)	(53.7)	(33.1)	354.9	4.3	11.3	4.3
Total	¥2,484.3	¥ —	¥2,484.3	¥ (17.2)	¥2,154.8	¥ 128.0	¥ 102.6	¥ 73.1

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2007.

Geographic Segments (Unaudited)

	2007				
	Billions of Yen				
	Net Sales and Other Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	¥ 1,265.3	¥ 696.8	¥ 1,962.1	¥ 57.7	¥ 1,194.4
Asia	505.3	580.6	1,085.9	19.1	512.7
North America	359.5	9.2	368.7	6.2	147.6
Others	178.5	8.6	187.1	0.2	119.3
Sub-total	2,308.6	1,295.2	3,603.8	83.2	1,974.0
Corporate and eliminations	—	(1,295.2)	(1,295.2)	(33.6)	(3.1)
Total	¥ 2,308.6	¥ —	¥ 2,308.6	¥ 49.6	¥ 1,970.9
	Millions of U.S. Dollars				
Japan	$ 10,723	$ 5,905	$ 16,628	$ 489	$ 10,122
Asia	4,282	4,920	9,202	162	4,345
North America	3,047	78	3,125	52	1,251
Others	1,512	73	1,585	2	1,011
Sub-total	19,564	10,976	30,540	705	16,729
Corporate and eliminations	—	(10,976)	(10,976)	(285)	(26)
Total	$ 19,564	$ —	$ 19,564	$ 420	$ 16,703

	2006				
	Billions of Yen				
	Net Sales and Other Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	¥ 1,459.4	¥ 695.6	¥ 2,155.0	¥ 11.6	¥ 1,347.6
Asia	503.4	565.5	1,068.9	1.6	440.4
North America	352.3	4.0	356.3	7.3	143.2
Others	169.2	1.7	170.9	(4.8)	61.5
Sub-total	2,484.3	1,266.8	3,751.1	15.7	1,992.7
Corporate and eliminations	—	(1,266.8)	(1,266.8)	(32.9)	162.1
Total	¥ 2,484.3	¥ —	¥ 2,484.3	¥ (17.2)	¥ 2,154.8

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2007.

income would be up ¥0.8 billion (US$7 million). These calculations are based on foreign currency-denominated amounts in net sales; operating revenue; cost of sales, selling, general and administrative expenses converted at the average exchange rate on the Tokyo foreign exchange market for the previous fiscal year.

3. RESULTS OF OPERATIONS

Net Sales and Operating Revenue

Net sales for the fiscal year under review dropped 7.6% from the previous year to ¥2,215.4 billion (US$18,775 million), while other operating revenue increased 6.8% from the previous year to ¥93.2 billion (US$790 million).

By business segment, in the Consumer business segment, although mobile phones showed an increase in sales volume, net sales remained the same as the previous year overseas, and decreased in Japan, influenced by intensifying competition and price decline. In digital camera business, despite the launch of unique products such as Xacti DMX-HD2, a hi-vision-compatible digital movie camera, sales decreased substantially due to sluggish OEM operation, the segment's main business. In television business, sales of flat-screen televisions increased while sales of CRT-based televisions decreased substantially. New types of liquid crystal projectors targeting households and the educational market sold well, while GORILLA series car navigation system also continued to earn a positive reputation, with memory portable navigation system added to its lineup. Sales of washing machines increased due to the popularity of the AQUA washing and drying machine series, which has an "air wash" function capable of sterilizing and deodorizing clothes, using air (ozone). Domestic sales of refrigerators and air conditioners were sluggish, resulting in decreased overall sales. All in all, sales in the Consumer segment were down 12.0% from the previous year, to ¥1,009.7 billion (US$8,557 million).

In the Commercial business segment, although domestic sales of refrigerated showcases and all-in-one air conditioning systems for supermarkets were sluggish due to slowdown in demand, overseas sales increased as a result of efforts toward business enhancement and expansion. Sales of showcases increased in China, while sales of all-in-one air conditioning systems rose in China and Europe, leading to an overall increase in sales. Moreover, Biomedical businesses, including ultralow-temperature freezers and medical refrigerators, showed increased overseas sales. Medical information system business, including computer systems for hospitals and electronic charts, soared due to increased introduction of IT in medical coding work. As a result, sales in the Commercial business segment reached ¥270.6 billion (US$2,293 million), rising 15.1% from the previous year.

In the Component business segment, sales of nickel-cadmium batteries and nickel-metal-hydride batteries declined due to accelerated shift to lithium-ion batteries, while sales of lithium-ion batteries increased for laptop computers and decreased for mobile phones. As a result, overall sales of rechargeable batteries decreased. SANYO enhanced the production capacity for lithium-ion batteries in preparation for future growth. Overseas sales of "eneloop," commercial rechargeable batteries readily available for use immediately after purchase, started full-scale in Asia, Europe and U.S.

Sales of solar batteries rose in Europe, where demand is active due to high environmental awareness, and showed a firm trend in Japan, resulting in a large increase in overall sales. Sales of semiconductors declined as a result of the structural reform efforts SANYO has been promoting, such as product selection and streamlining. Although the declining trend in prices continued in the electronic component business, strong demand in the mobile phone and PC markets pushed up sales volume of condensers and vibrating motors, leading to an increase in sales. Although the sales volume of optical pickups for DVD market increased, net sales diminished, affected by price decline. As a result, sales in the Component business segment came to ¥875.1 billion (US$7,416 million), down 4.0% from the previous year.

Sales of operations in the business segment "Others" fell 42.0% to ¥60.1 billion (US$509 million), owing to SANYO Homes Co., Ltd.'s separation from the consolidated group.

Of consolidated net sales, domestic sales were ¥953.7 billion (US$8,082 million), down 18.0%, while overseas sales rose 2.2%, to ¥1,261.7 billion (US$10,693 million). As a consequence, overseas sales as a percentage of consolidated net sales rose 5.5 points, to 57.0%.

Cost of Sales, Selling, General and Administrative Expenses and Operating Income

Cost of sales for the fiscal year under review totaled ¥1,899.7 billion (US$16,099 million), ¥203.0 billion (US$1,720 million) drop. Despite a decrease in sales, the ratio of sales cost to net sales dropped 1.9 points to 85.8%, due to reduction in the cost of sales ratio in line with progress in structural reform SANYO implemented in the previous year.

Selling, general and administrative expenses decreased ¥39.3 billion (US$333 million) to ¥359.4 billion (US$3,045 million), due to drops in shipping and handling costs and patent fees. The ratio of selling, general and administrative expenses to net sales decreased 0.4 points to 16.2%.

Accordingly, cost of sales and selling, general and administrative expenses diminished, but could offset a drop in net sales. As a result, operating income increased ¥66.8 billion (US$566 million) to ¥49.6 billion (US$420 million).

Other Income (Expenses) and net Income

Other expenses amounted to ¥62.6 billion (US$531 million), decreasing ¥85.9 billion (US$728 million) from the previous fiscal year. This decrease is due to drops in structural reform expenses and impairment losses on fixed assets, from ¥84.9 billion to ¥25.0 billion (US$212 million), and from ¥71.3 billion to ¥8.0 billion (US$68 million), respectively.

Consequently, net loss before taxes from continuing operations came to ¥13.1 billion (US$111 million) (compared with ¥165.7 billion in the previous year). Income taxes were ¥28.5 billion (US$242 million) (¥38.3 billion in the previous fiscal year).

As a result, net loss before minority interests from continuing operations amounted to ¥41.6 billion (US$353 million) (¥204.0 billion in the previous year). After deducting minority interests, ¥45.4 billion (US$385 million) in net loss from continuing operations (¥200.3 billion in the previous

year) was recorded. Adding net loss from discontinued operations, net loss for the fiscal year under review totaled ¥45.4 billion (US$385 million) (¥205.7 billion in the previous fiscal year).

Net loss per share came to ¥72.7, (US$0.62) compared with ¥195.0 in the previous year.

Information on Capital Resources and Cash Flows

1. FINANCIAL STRATEGIES

SANYO procures working capital and funds for capital investment by borrowing and corporate bonds. Working capital is financed through short-term borrowing with maturities of one year or less (including the current portion of long-term liabilities), while long-term funds for production facilities and equipment are procured through long-term loans, straight and convertible bonds, and preferred stock issues. As of March 31, 2007, short-term borrowing was up ¥36.3 billion (US$308 million) from a year earlier, to ¥375.0 billion (US$3,178 million), while corporate bond issues and long-term loans diminished ¥159.7 billion (US$1,353 million) to ¥340.7 billion (US$2,887 million).

2. FINANCIAL POSITION

Assets

As a result of the consolidated business performance described above, total assets as of March 31, 2007 came to ¥1,970.9 billion (US$16,703 million), down ¥183.9 billion (US$1,558 million) from a year earlier.

Total current assets diminished ¥132.1 billion (US$1,119 million) to ¥1,288.2 billion (US$10,917 million), due to a ¥176.8 billion (US$1,498 million) decrease from a year earlier in restricted cash comprising funds procured through the issuance of preferred stocks to third parties.

Investments and advances decreased ¥27.8 billion (US$236 million) to ¥133.2 billion (US$1,129 million) as a result of sales of marketable securities and investment securities.

Net Property, plant and equipment declined ¥31.9 billion (US$270 million) to ¥468.8 billion (US$3,973 million), due to restrained capital investment and selling-off of assets.

Deferred income taxes - noncurrent - came to ¥13.9 billion (US$118 million), up ¥3.0 billion (US$25 million) from the end of the previous fiscal year.

Other assets increased ¥66.8 billion (US$566 million), up ¥4.9 billion (US$42 million) from the end of the previous year.

Liabilities and Stockholders' Equity

Total liabilities as of March 31, 2007 were ¥1,635.1 billion (US$13,857 million), a decline of ¥98.5 billion (US$835 million) from a year earlier, mainly due to a ¥123.4 billion (US$1,047 million) decrease in short-term loans, long-term loans and corporate bond issues despite a ¥24.2 billion (US$205 million) increase in unpaid retirement/pension expenses. Total stockholders' equity was ¥312.0 billion (US$2,644 million), declining ¥90.9 billion (US$770 million), stockholders' equity ratio worsening 2.9 points to 15.8%. This decrease came about mainly due to a ¥45.3 billion (US$384 million) decrease in other comprehensive profits and recording a net loss of ¥45.4 billion (US$385 million).

3. CASH FLOWS

As of March 31, 2007, cash and cash equivalents amounted to ¥334.7 billion (US$2,836 million), up ¥37.2 billion (US$315 million) from a year earlier, because of the withdrawal of cash in trust, though interest-bearing debt decreased.

Cash flow from operating activities decreased ¥6.8 billion (US$58 million) due to an increase in inventories and other assets, resulting in a net outflow of ¥7.5 billion (US$64 million).

Net cash spent for investing activities decreased ¥52.9 billion (US$448 million) to ¥16.9 billion (US$143 million), due to a huge decline in sales of available-for-sale securities.

Consequently, free cash flow based on operating activities and investing activities declined ¥59.7 billion (US$506 million) from the previous year, resulting in a net outflow of ¥24.4 billion (US$207 million).

Net cash provided by financing activities rose ¥132.0 billion (US$1,119 million), to ¥62.0 billion (US$525 million), as a result of the Company's efforts to reduce interest-bearing debt as well as the payout of cash in trust.

4. ACQUISITION OF TREASURY STOCK

During the fiscal year under review, the Company acquired 377,526 shares to cover odd-lot purchases of less than one trading unit. As a result, the total treasury stock held at the end of the fiscal year was 18,835,705 shares.

Consolidated Statements of Operations

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2007	2006	2005	2007
Revenues:				
Net sales (Note 8)	¥ 2,215,434	¥ 2,397,026	¥ 2,484,639	$18,774,864
Other operating revenue	93,194	87,279	76,746	789,780
Interest and dividends	8,013	7,170	5,066	67,907
Other income (Note 25)	32,152	59,670	26,053	272,474
Total revenues	2,348,793	2,551,145	2,592,504	19,905,025
Costs and expenses (Note 22):				
Cost of sales (Note 8)	1,899,695	2,102,734	2,125,637	16,099,110
Selling, general and administrative	359,365	398,725	400,512	3,045,466
Interest	20,720	18,412	13,127	175,593
Other expenses (Note 25)	82,083	196,970	121,995	695,619
Total costs and expenses	2,361,863	2,716,841	2,661,271	20,015,788
Loss before income taxes and minority interests from continuing operations	(13,070)	(165,696)	(68,767)	(110,763)
Provision for income taxes (Note 21):				
Current	19,278	20,861	18,328	163,373
Deferred	9,238	17,448	86,367	78,288
Loss before minority interests from continuing operations	(41,586)	(204,005)	(173,462)	(352,424)
Minority interests	3,776	(3,675)	(556)	32,000
Net loss from continuing operations	(45,362)	(200,330)	(172,906)	(384,424)
Discontinued operations (Note 4):				
Income (loss) before income taxes from discontinued operations	—	(1,882)	3,372	—
Provision for income taxes	—	3,449	2,010	—
Net income (loss) from discontinued operations	—	(5,331)	1,362	—
Net loss	¥ (45,362)	¥ (205,661)	¥ (171,544)	$ (384,424)

	Yen			U.S. Dollars (Note 3)
Per share (Yen and U.S. dollars) (Note 23):				
Net loss:				
Basic				
Net loss from continuing operations	¥ (72.7)	¥ (192.4)	¥ (93.2)	$ (0.62)
Net income (loss) from discontinued operations	—	(2.6)	0.7	—
Net loss	(72.7)	(195.0)	(92.5)	(0.62)
Diluted				
Net loss from continuing operations	(72.7)	(192.4)	(93.2)	(0.62)
Net income (loss) from discontinued operations	—	(2.6)	0.7	—
Net loss	(72.7)	(195.0)	(92.5)	(0.62)
Per American Depositary Share (Yen and U.S. dollars) :				
Net loss:				
Basic				
Net loss from continuing operations	¥ (363.3)	¥ (961.9)	¥ (466.2)	$ (3.08)
Net income (loss) from discontinued operations	—	(12.9)	3.7	—
Net loss	(363.3)	(974.8)	(462.5)	(3.08)
Diluted				
Net loss from continuing operations	(363.3)	(961.9)	(466.2)	(3.08)
Net income (loss) from discontinued operations	—	(12.9)	3.7	—
Net loss	(363.3)	(974.8)	(462.5)	(3.08)
Weighted average number of common shares outstanding (thousands)	1,853,675	1,854,591	1,854,947	

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
Assets	**2007**	2006	**2007**
Current assets:			
Cash and cash equivalents:			
Cash	¥ 148,382	¥ 196,784	$ 1,257,475
Time deposits	186,304	100,716	1,578,847
	334,686	297,500	2,836,322
Restricted cash (Note 6)	88,000	264,800	745,763
Securities (Notes 9 and 17)	672	1,109	5,695
Notes and accounts receivable:			
Trade (Note 5)	453,999	461,613	3,847,449
Affiliates	21,117	19,182	178,958
Allowance for doubtful accounts	(7,493)	(10,509)	(63,500)
Inventories (Note 7)	329,108	317,894	2,789,051
Deferred income taxes (Note 21)	5,850	8,287	49,576
Prepaid expenses and other	62,271	60,441	527,720
Total current assets	1,288,210	1,420,317	10,917,034
Investments and advances:			
Affiliates (Note 8)	49,180	48,000	416,779
Securities and other investments (Notes 9 and 17)	84,045	112,988	712,246
Total investments and advances	133,225	160,988	1,129,025
Property, plant and equipment (Notes 10, 11 and 13):			
Buildings	401,796	409,581	3,405,051
Machinery and equipment	867,425	919,154	7,351,059
	1,269,221	1,328,735	10,756,110
Accumulated depreciation	(901,604)	(941,303)	(7,640,712)
	367,617	387,432	3,115,398
Land	91,605	101,664	776,314
Construction in progress	9,557	11,590	80,991
Net property, plant and equipment	468,779	500,686	3,972,703
Deferred income taxes (Note 21)	13,921	10,935	117,975
Other assets (Note 12)	66,805	61,911	566,144
Total assets	¥ 1,970,940	¥ 2,154,837	$ 16,702,881

The accompanying notes are an integral part of these statements.

Liabilities and Stockholders' Equity	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 3) 2007
Current liabilities:			
Short-term borrowings (Note 13)	¥ 219,785	¥ 264,441	$ 1,862,585
Current portion of long-term debt (Note 13)	155,221	74,297	1,315,432
Notes and accounts payable:			
Trade	406,577	402,638	3,445,568
Affiliates	6,118	20,392	51,847
Construction	20,424	13,334	173,085
Accrued liabilities	188,771	195,093	1,599,754
Accrued income taxes	8,997	11,638	76,246
Other liabilities (Notes 14 and 21)	68,995	64,410	584,703
Total current liabilities	1,074,888	1,046,243	9,109,220
Long-term debt (Notes 13 and 17)	340,698	500,434	2,887,271
Accrued pension and severance costs (Note 14)	211,173	186,969	1,789,602
Deferred income taxes (Note 21)	8,327	—	70,568
Total liabilities	1,635,086	1,733,646	13,856,661
Minority interests in subsidiaries	23,846	18,299	202,085
Commitments and contingent liabilities (Note 16)			
Stockholders' equity:			
Common stock	172,242	172,242	1,459,678
Authorized (March 31, 2007 & 2006) : 7,060,300,000 shares			
Issued (March 31, 2007 & 2006) : 1,872,338,099 shares			
Preferred stock (Note 20)	150,000	89,086	1,271,186
Authorized (March 31, 2007)			
Class A : 182,600,000 shares			
Class B : 246,100,000 shares			
(March 31, 2006)			
Class A : 182,600,000 shares			
Class B : 246,100,000 shares			
Issued (March 31, 2007)			
Class A : 182,542,200 shares			
Class B : 246,029,300 shares			
(March 31, 2006)			
Class A : 182,542,200 shares			
Class B : 246,029,300 shares			
	322,242	261,328	2,730,864
Additional paid-in capital	781,951	721,828	6,626,703
Accumulated deficit	(633,315)	(466,951)	(5,367,076)
Accumulated other comprehensive loss	(151,174)	(105,885)	(1,281,136)
Less, treasury stock at cost:	(7,696)	(7,428)	(65,220)
2007-18,835,705 shares			
2006-17,874,175 shares			
Total stockholders' equity	312,008	402,892	2,644,135
Total liabilities and stockholders' equity	¥ 1,970,940	¥ 2,154,837	$ 16,702,881

Consolidated Statements of Stockholders' Equity

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2007, 2006 and 2005

	Common stock: Number of shares (Thousands)	Common stock: Amount	Preferred Stock (Note 20): Number of shares (Thousands)	Preferred Stock (Note 20): Amount	Additional Paid-in Capital	Accumulated (deficit) retained earnings	Accumulated Other Comprehensive Income (Loss): Net Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments	Net Unrealized Gains (Losses) on Derivatives	Total	Treasury Stock	Total Comprehensive Loss
	Millions of Yen, except share data												
Balance, March 31, 2004	1,872,338	¥ 172,242	—	¥ —	¥ 336,036	¥ 92,766	¥ 17,266	¥ (58,997)	¥ (53,558)	¥ (1,238)	¥ (96,527)	¥ (7,215)	
Comprehensive loss:													
Net loss						(171,544)							¥ (171,544)
Other comprehensive income (loss)													
Net unrealized gains on securities (net of tax of ¥8,415 million) (Note 9)							8,053				8,053		8,053
Reclassification adjustments for net gains on securities realized in net loss (net of tax of ¥4,472 million)							(6,657)				(6,657)		(6,657)
Foreign currency translation adjustments								786			786		786
Minimum pension liability adjustments (net of tax of ¥31,345 million) (Note 14)									(34,115)		(34,115)		(34,115)
Net unrealized losses on derivatives (net of tax of ¥477 million) (Note 18)										(367)	(367)		(367)
Reclassification adjustments for net losses realized in net loss (net of tax of ¥672 million)										517	517		517
Total													¥ (203,327)
Cash dividends						(5,564)							
Purchase of treasury stock (512 thousand shares)												(193)	
Sale of treasury stock (128 thousand shares)												51	
Loss on disposal of treasury stock					(1)								
Balance, March 31, 2005	1,872,338	172,242	—	—	336,035	(84,342)	18,662	(58,211)	(87,673)	(1,088)	(128,310)	(7,357)	
Comprehensive loss:													
Net loss						(205,661)							¥ (205,661)
Other comprehensive income (loss)													
Net unrealized gains on securities (net of tax of ¥1,019 million) (Note 9)							38,529				38,529		38,529
Reclassification adjustments for net gains on securities realized in net loss (net of tax of ¥671 million)							(36,007)				(36,007)		(36,007)
Foreign currency translation adjustments								16,100			16,100		16,100
Minimum pension liability adjustments (net of tax of ¥5,088 million) (Note 14)									2,715		2,715		2,715
Net unrealized gains on derivatives (net of tax of ¥1,014 million) (Note 18)										780	780		780
Reclassification adjustments for net losses realized in net loss (net of tax of ¥401 million)										308	308		308
Total													¥ (183,236)
Purchase of treasury stock (330 thousand shares)												(97)	
Sale of treasury stock (63 thousand shares)												26	
Loss on disposal of treasury stock					(6)								
Issuance of preferred stock			428,572	150,000	147,937								
Beneficial Conversion Feature				(150,000)	150,000								
Amortization of Beneficial Conversion Feature				89,086	87,862	(176,948)							
Balance, March 31, 2006	1,872,338	¥ 172,242	428,572	¥ 89,086	¥ 721,828	¥ (466,951)	¥ 21,184	¥ (42,111)	¥ (84,958)	¥ —	¥ (105,885)	¥ (7,428)	

	Millions of Yen, except share data													
	Common stock		Preferred Stock (Note 20)		Additional Paid-in Capital	Accumulated (deficit) retained earnings	Accumulated Other Comprehensive Income (Loss)						Treasury Stock	Total Comprehensive Loss
	Number of shares (Thousands)	Amount	Number of shares (Thousands)	Amount			Net Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments	Pension Liability Adjustments	Net Unrealized Gains (Losses) on Derivatives	Total		
Balance, March 31, 2006	1,872,338	¥ 172,242	428,572	¥ 89,086	¥ 721,828	¥ (466,951)	¥ 21,184	¥(42,111)	¥(84,958)	¥ —	¥ —	¥ (105,885)	¥(7,428)	
Comprehensive loss:														
Net loss						(45,362)								(45,362)
Other comprehensive income (loss):														
Net unrealized losses on securities (net of tax of ¥7,031 million) (Note 9)							(1,614)					(1,614)		(1,614)
Reclassification adjustments for net gains on securities realized in net loss (net of tax of ¥2,025 million)							(2,978)					(2,978)		(2,978)
Foreign currency translation adjustments								2,464				2,464		2,464
Minimum pension liability adjustments (net of tax of ¥140 million) (Note 14)									27,286			27,286		27,286
Total														¥(20,204)
Adjustment to initially apply SFAS 158, (net of tax of ¥172 million)									57,672	(128,119)		(70,447)		
Purchase of treasury stock and other(1,020 thousand shares)													(293)	
Sale of treasury stock (59 thousand shares)													25	
Loss on disposal of treasury stock						(11)								
Stock-based compensation					46									
Amortization of Beneficial Conversion Feature				60,914	60,077	(120,991)								
Balance, March 31, 2007	1,872,338	¥ 172,242	428,572	¥ 150,000	¥ 781,951	¥ (633,315)	¥ 16,592	¥(39,647)	¥ —	¥(128,119)	¥ —	¥ (151,174)	¥(7,696)	

	Thousands of U.S. Dollars (Note 3)													
Balance, March 31, 2006	1,872,338	$1,459,678	428,572	$ 754,966	$6,117,186	$ (3,957,212)	$ 179,525	$(356,873)	$(719,983)	$ —	$ —	$ (897,331)	$ (62,949)	
Comprehensive loss:														
Net loss						(384,424)								(384,424)
Other comprehensive income (loss):														
Net unrealized losses on securities (net of tax of $60 million) (Note 9)							(13,678)					(13,678)		(13,678)
Reclassification adjustments for net gains on securities realized in net loss (net of tax of $17 million)							(25,237)					(25,237)		(25,237)
Foreign currency translation adjustments								20,882				20,882		20,882
Minimum pension liability adjustments (net of tax of $1 million) (Note 14)									231,237			231,237		231,237
Total														$(171,220)
Adjustment to initially apply SFAS 158, (net of tax of $1 million)									488,746	(1,085,755)		(597,009)		
Purchase of treasury stock and other(1,020 thousand shares)													(2,483)	
Sale of treasury stock (59 thousand shares)													212	
Loss on disposal of treasury stock						(93)								
Stock-based compensation					390									
Amortization of Beneficial Conversion Feature				516,220	509,127	(1,025,347)								
Balance, March 31, 2007	1,872,338	$1,459,678	428,572	$1,271,186	$6,626,703	$ (5,367,076)	$ 140,610	$(335,991)	$ —	$(1,085,755)	$ —	$(1,281,136)	$ (65,220)	

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2007	2006	2005	2007
Cash flows from operating activities:				
Net loss	¥ (45,362)	¥(205,661)	¥(171,544)	$ (384,424)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities				
Depreciation and amortization	94,887	129,712	123,540	804,127
Gain on sale of marketable securities and investment securities	(10,198)	(39,204)	(10,474)	(86,424)
Impairment loss on marketable securities and investment securities	5,839	9,989	3,676	49,483
Impairment and disposal of investments and bad debts	—	—	7,257	—
(Gain) loss on disposal of fixed assets	(11,235)	(4,527)	14,459	(95,212)
Impairment loss on fixed assets	9,882	107,702	7,338	83,746
Provision for deferred income taxes	9,238	18,903	83,071	78,288
Equity in (losses) earnings of affiliates	15,190	13,072	(2,661)	128,729
Change in assets and liabilities				
Decrease in notes and accounts receivable	134	21,281	100,359	1,136
(Increase) decrease in inventories	(19,219)	78,552	(24,872)	(162,873)
Decrease (increase) in prepaid expenses and other	11,843	18,578	(18,412)	100,364
(Increase) decrease in other assets	(7,487)	10,573	(10,205)	(63,449)
Increase (decrease) in notes and accounts payable	3,402	(105,520)	(67,385)	28,831
(Decrease) increase in accrued income taxes	(2,375)	879	(618)	(20,127)
(Decrease) increase in accrued liabilities and other liabilities	(5,712)	(24,710)	1,154	(48,407)
Other, net	(56,351)	(30,283)	(30,988)	(477,551)
Total adjustments	37,838	204,997	175,239	320,661
Net cash (used in) provided by operating activities	(7,524)	(664)	3,695	(63,763)
Cash flows from investing activities:				
Purchase of available-for-sale securities	(476)	(3,634)	(40,848)	(4,034)
Purchase of held-to-maturity securities	(800)	(10,115)	(16,393)	(6,780)
Proceeds from sale of available-for-sale securities (Note 9)	16,160	99,837	34,936	136,949
Proceeds from repayment of held-to-maturity securities	1,700	10,836	3,910	14,407
Proceeds from sale of property, plant and equipment	34,661	46,760	39,711	293,737
Payments for purchase of property, plant and equipment	(66,607)	(84,564)	(96,633)	(564,466)
Proceeds from (payments for) acquisition of subsidiaries	427	—	(2,276)	3,619
(Payments for) proceeds from sale of subsidiaries	(3,443)	(2,004)	111	(29,178)
Proceeds on business transfer	—	—	19,153	—
Other, net	1,512	(21,115)	(23,905)	12,814
Net cash (used in) provided by investing activities	(16,866)	36,001	(82,234)	(142,932)
Cash flows from financing activities:				
Decrease in short-term borrowings	(39,155)	(20,432)	(20,737)	(331,822)
Proceeds from issuance of long-term debt	3,358	82,671	278,884	28,458
Proceeds from issuance of new shares (Note 20)	—	299,238	—	—
Deposit in restricted cash (Note 6)	—	(300,000)	—	—
Withdrawal from restricted cash (Note 6)	176,800	35,200	—	1,498,305
Repayments of long-term debt	(78,122)	(166,786)	(174,788)	(662,051)
Dividends paid	(730)	(1,606)	(12,632)	(6,186)
Repurchases of common stock, net	(149)	(78)	(147)	(1,263)
Proceeds from minority stockholders on the issuance of new shares in a subsidiary	—	1,813	—	—
Net cash provided by (used in) financing activities	62,002	(69,980)	70,580	525,441
Effect of exchange rate changes on cash and cash equivalents	(426)	8,182	1,145	(3,610)
Net increase (decrease) in cash and cash equivalents	37,186	(26,461)	(6,814)	315,136
Cash and cash equivalents of newly consolidated subsidiaries	—	28,979	24,334	—
Cash and cash equivalents at beginning of year	297,500	294,982	277,462	2,521,186
Cash and cash equivalents at end of year	¥ 334,686	¥ 297,500	¥ 294,982	$ 2,836,322

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

SANYO Electric Co., Ltd. and Subsidiaries

1 NATURE OF OPERATIONS AND BASIS OF PREPARATION

Nature of Operations

SANYO Electric Co., Ltd. and its subsidiaries (hereinafter collectively referred to as "SANYO") are engaged in development, manufacture and sales of electric products in various locations around the world. SANYO operates in four business segments: "Consumer," "Commercial," "Component," and "Others." Fiscal 2006 net sales and other operating revenue comprised Consumer (43%), Commercial (12%), Component (38%), and Others (7%). The principal markets are in Japan, Asia, North America, Europe and Others, with sales in each area representing 55%, 22%,16%, 6% and 1%, respectively, of net sales and other operating revenue for the year ended March 31, 2007. SANYO has manufacturing facilities located in more than 20 countries, principally in Asian areas, such as in Japan and China, as well as in North America and in Europe.

Basis of Preparation

1. Progress of Medium-term Management Plan

Due to the intensified global competition, the business environment for SANYO has been very severe for the past several years. In particular, with the significant effects of the damage caused by the Niigata Prefecture Chuetsu Earthquake in October 2004, a heavy consolidated net loss of 171,544 million yen was posted for the fiscal year ended March 2005. To overcome this company-wide crisis, the three-year Medium-term Management Plan ending in fiscal 2007 was formulated in November 2005, based on which various measures have been steadily implemented, including review and restructuring of business portfolio, of cost structure reform, and enhancement of financial strength.

(1) Progress made during the fiscal year ended March 2006
For the fiscal year ended March 2006, a heavy consolidated loss of 205,661 million yen was posted, resulting in two consecutive years of losses. However, in line with the Medium-term Management Plan a course of action was determined regarding the businesses subject to structural reform, including financial business and OLED business. Further, a series of measures were implemented to achieve fundamental structural reforms, such as liquidation of unprofitable overseas businesses. In addition, regarding of interest-bearing debt reduction, disposal of dormant assets, and personnel downsizing the level of performance achieved was higher than what was initially expected.

(2) Progress made during the fiscal year ended March 2007
Previously, measures had been implemented to concentrate management resources on SANYO's core businesses: "Power Solution," "Heating & Refrigeration/Commercial," and "Personal Mobile Equipment." Due to the recent major changes in the business environment, partial revisions were made to the Medium-term Management Plan in November 2006 and the strategies were reconsidered for various businesses, including those specified as core businesses. In this process, while striving toward the completion of fundamental structural reforms and recovery of profitability so as to realize steady growth, the core businesses meriting intensive investment were clearly identified.

Reflecting this situation, the series of measures below were implemented:
1) In the semiconductor business, the business was spun off into a separate company and fixed cost was reduced. At the same time, sales, which had been in a slump, registered signs of recovery. As a result, the business returned to profitability in terms of operating income from last year's negative figure and regained the ability to contribute to our profit performance.
2) In the TV business and electric home appliance business, more fundamental structural reforms were pressed forward than what was envisioned in the Medium-term Management Plan launched in November 2005. As was announced, a strategic alliance was formed with Quanta Computer Inc. in Taiwan for the TV business in August 2006. In addition, a strategic alliance was formed with Haier Co., Ltd. in China for the refrigerator business in October 2006 and a decision to cease domestic manufacturing of refrigerators was made. Thus, transformation of the business structure was promoted through alliances with other companies and at the same time, a drastic review of domestic business operation structure was conducted, including personnel downsizing.
3) In the cellular phone/digital camera business, being one of the businesses which are subject to wide fluctuations in income and expenditure due to their business structure, the construction of a system capable of responding to rapid changes in the business environment was accelerated. In this process, in addition to striving to increase sales, fixed cost was comprehensively reduced by shifting production overseas etc.
4) For other matters, transformation of unprofitable business and companies was continually promoted in line with the principles of withdrawal and liquidation. For shares of group companies that SANYO owns the principle was also continually advanced, of selling those which are not highly beneficial to SANYO's business operation. As part of these, in the LCD panel business, all of our company-owned shares of SANYO Epson Imaging Devices Corporation, which was a joint venture company established with Seiko Epson Corporation, were transferred to Seiko Epson Corporation in December 2006, after which SANYO withdrew from this business.
5) Efforts to thoroughly streamline indirect costs were made, including the announcement of the termination of the All-Star Game principal sponsor contract in December 2006.

As described above, additional structural reforms were implemented in line with changes in the business environment, resulting in a delay in recovery of the bottom line. However, as we make partial revisions to the initial Medium-term Management Plan and steadily pursue various related measures, we have been striving to achieve the completion of fundamental structural reforms, recovery of profitability, and steady growth.

2. Future Policy

During fiscal 2007 - the final year of the Medium-term Management Plan, we will focus on the production frontline, which is the starting point for a manufacturer, and work to get the entire workforce moving in the same direction. In this way, we will continue to steadily advance measures based on the Medium-term Management Plan.

(1) Core businesses
Upon revising the Medium-term Management Plan in November 2006, the business competitiveness of our company was reviewed and the strategies were reconsidered. In this respect, we will concentrate our management resources on the business areas of power solution, heating & refrigeration/commercial, and electronic component and will implement measures to establish new engines of growth and boost overall corporate profitability at the same time. In particular, for the solar cell business, whose market is rapidly expanding, we will make strategic investments and enhance our manufacturing capability. Further, for the personal mobile business, to reduce business risks we will place priority on shifting to a business whose structure is capable of ensuring a profit even when there is a decline in sales.

(2) Businesses subject to structural reform
For the semiconductor business, which is now an independent business entity, we will return the business to profitability in terms of operating income and work to maintain it in the future. For the TV business, which underwent a similar transformation, we will steadily recover profits by focusing on North America where SANYO has its strength. Meanwhile, for the electric home appliance business, we have already implemented various measures, such as withdrawing from domestic manufacturing of household refrigerators after the formation of an alliance with Haier Co., Ltd. in China and conducting reforms of domestic marketing operations. In the future, we will give the highest priority to profit recovery as we continuously work to expand business.

(3) Reorganization of affiliate companies and manufacturing bases (elimination and consolidation)
Due to having so many subsidiaries and affiliates, considerable expenses are incurred in relation thereto and management resources are spread out. To correct this situation, we will continue to promote business efficiency improvement through reorganization, liquidation, and business integration.

Consistent with the above, based on the Medium-term Management Plan we will conduct thoroughgoing review of every business and every function to ensure the success of our growth strategy.

The future operational performance of SANYO is dependent on successfully completing the Medium-term Management Plan. The syndicated loan agreement and loan commitment agreement include certain financial covenants which require the Company maintains an appropriate credit rating. The accompanying financial statements have been prepared on a going concern basis, which assumes the realization of assets and satisfaction of liabilities in the normal course of business and do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should SANYO be unable to continue as a going concern.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles

The accounting records of domestic companies are maintained in accordance with accounting practices prevailing in Japan. The accompanying consolidated financial statements reflect the adjustments necessary for a presentation in accordance with generally accepted accounting principles in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Investments in 20% to 50% held companies are carried at cost plus the equity in undistributed earnings, after elimination of unrealized intercompany profits.

In the year ended March 31, 2005, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No.46 "Consolidation of Variable Interest Entities"(revised December 2003, hereinafter referred to as "FIN 46R"), and accordingly consolidates variable interest entities in which the Company has a controlling financial interest through means other than voting rights.

Cash Equivalents

All highly liquid investments, including time deposits, purchased with original maturities of three months or less, are considered to be cash equivalents.

Investments in Debt and Equity Securities

Available-for-sale securities are carried at fair market value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income. Available-for-sale securities are reduced to net realizable value by a charge to earnings when there are other than temporary declines in fair value. For the purpose of computing gains and losses on securities sold, the cost of these securities is determined by the moving average method. Held-to-maturity securities are recorded at amortized cost. Securities that do not have readily determinable fair values are recorded at cost.

Translation of Foreign Currencies

Assets and liabilities of foreign subsidiaries and affiliates accounted for on an equity basis are translated into yen at the exchange rates in effect at the respective balance sheet date. Revenues and expenses are translated at the average rate of exchange for the period. Translation adjustments result from the process of translating foreign currency financial statements into yen and are reported in other comprehensive income.

Allowances for Doubtful Accounts

SANYO maintains allowances for doubtful accounts related to

trade receivables for estimated losses resulting from customers' inability to make timely payments. SANYO's estimates are based on various factors including the length of past due payments, historical experience and current business environments. In circumstances where it is aware of specific customer's inability to meet its financial obligations, a specific allowance against these amounts is provided considering the fair value of assets pledged by the customer as collateral.

Inventories

Inventories are stated at the lower of cost or market value. The cost of finished products and work in process is primarily determined by the average cost method. The first-in, first-out method is primarily used for raw materials.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant renewals and additions, are carried at cost. When retired or otherwise disposed of, the cost and related accumulated depreciation are cleared from the respective accounts, and the net difference, less any amounts realized on disposal, is reflected in income. Depreciation is principally computed by the declining balance method. The principal estimated useful lives used for computing depreciation are as follows:

Buildings	5 to 50 years
Machinery and equipment	2 to 20 years

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Goodwill and Other Intangible Assets

Goodwill acquired in a purchase business combination and intangible assets with indefinite useful lives are not amortized but are rather tested for impairment at least annually, and whenever the events or changes in circumstances indicate the possibility of impairment. The fair value of these assets is generally estimated using a discounted cash flows analysis. Intangible assets which consist mainly of software, with definite useful lives are amortized on a straight line basis over their estimated useful lives, which are mainly 5 years.

Impairment of Long-lived Assets

SANYO's long-lived assets and amortizable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If it is determined an impairment loss has occurred, a loss calculated as the difference between the carrying value and the fair value is recognized in the period.

Advertising Costs

Advertising costs are expensed as incurred.

Research and Development Costs

Research and development costs are expensed as incurred.

Provision for Product Warranty Costs

Provision for product warranty costs is established at the time the revenue is recognized, based on historical actual amounts.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes reflect the expected future tax consequences of differences between the tax bases of assets and liabilities and the financial reporting amounts at the fiscal year-end. Deferred income tax assets and liabilities are measured by using currently enacted tax rates, and the effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that the change is enacted.

Derivatives

SANYO utilizes derivatives to manage the risk of changes in foreign currency exchange rates and interest rates. The derivatives SANYO utilizes are mainly foreign currency exchange contracts, interest rate swaps and currency swaps. SANYO applies Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138 and No.149. SANYO recognizes all derivatives as either assets or liabilities in the balance sheet and measures these instruments at fair value. The change in the fair value of a derivative that does not qualify for hedge accounting is recognized in earnings in the period of the change. If the derivatives are designated and qualify as cash flow hedges, changes in fair value are first recorded in other comprehensive income or loss, and then reclassified into earnings in the same period or periods during which the hedged item affects earnings. SANYO formally documents hedging risk management objectives and strategies and relationships between the hedging instruments and the hedged items. SANYO also assesses the effectiveness of the hedge at the commencement of a hedging transaction and on an ongoing basis to ensure that the derivative qualifies to be accounted for as a cash flow hedge.

Stock-Based Compensation

In December 2004, the FASB issued SFAS No. 123 (revised in 2004), "Share-Based Payment" ("SFAS 123R"). SFAS 123R revised SFAS No. 123 "Accounting for Stock-Based Compensation," Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees" and the related interpretation. SFAS 123R requires recognition of the cost of employee services in exchange for an award of equity instruments (including stock options) based on the grant-date fair value of the award, with limited exceptions. That cost is recognized over the period during which an employee is required to provide service in exchange for the award. The Company adopted SFAS No. 123R for the year ended March 31, 2007. The impact of the adoption of SFAS No. 123R on SANYO's consolidated results of operations and financial position was not material.

For the years ended March 31, 2006 and 2005 , the Company accounted for employee stock options in accordance with APB No. 25, and followed provisions as to disclosure of fair value information of SFAS No. 123 "Accounting for Stock-Based Compensation," amended by SFAS No. 148 "Accounting for Stock-Based Compensation- Transition and Disclosure - an Amendment of FASB Statement No. 123." Stock-based compensation cost for fixed-plan employee stock options is recognized as the excess of the quoted market price of common stock at the date of the grants over the stated exercise price.

No compensation cost was recognized since the stated exercise prices at the dates of grant were equal to or higher than the fair value of common stock.

Had compensation expense been determined as prescribed by SFAS No. 123, SANYO's pro forma net income and earnings per share available to common stockholders for the years ended March 31, 2006 and 2005 would have been as follows:

Net loss from continuing operations available to common stockholders

	Millions of yen	
	2006	2005
As reported	¥ (356,784)	¥ (172,906)
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of tax effect	(224)	(297)
Pro forma	¥ (357,008)	¥ (173,203)

	Yen	
	2006	2005
Basic loss per share:		
As reported	¥ (192.4)	¥ (93.2)
Pro forma	(192.5)	(93.3)
Diluted loss per share:		
As reported	(192.4)	(93.2)
Pro forma	¥ (192.5)	¥ (93.3)

Net income (loss) from discontinued operations available to common stockholders

	Millions of yen	
	2006	2005
As reported	¥ (4,785)	¥ 1,362
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effect	—	(18)
Pro forma	¥ (4,785)	¥ 1,344

	Yen	
	2006	2005
Basic income (loss) per share:		
As reported	¥ (2.6)	¥ 0.7
Pro forma	(2.6)	0.7
Diluted income (loss) per share:		
As reported	(2.6)	0.7
Pro forma	¥ (2.6)	¥ 0.7

Net loss available to common stockholders

	Millions of yen	
	2006	2005
As reported	¥ (361,569)	¥ (171,544)
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of tax effect	(224)	(315)
Pro forma	¥ (361,793)	¥ (171,859)

	Yen	
	2006	2005
Basic loss per share:		
As reported	¥ (195.0)	¥ (92.5)
Pro forma	(195.1)	(92.6)
Diluted loss per share:		
As reported	(195.0)	(92.5)
Pro forma	¥ (195.1)	¥ (92.6)

Fair Value Information

The weighted average fair value at the date of grant for options granted during the year ended March 31, 2005 was ¥115.

The fair value is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2005
Risk-free interest rate	0.76%
Expected life	4 years
Expected volatility	40.10%
Expected dividend	0.00%

Dividends and Net Loss per Share and per American Depositary Share

Cash dividends declared subsequent to the balance sheet date and designated as applicable to earnings of the period are accrued and charged to retained earnings as of the balance sheet date. Basic income per share is computed by dividing net income by the weighted average number of common stock outstanding during each period. The calculation of diluted income per share takes into account the dilutive effect of convertible bonds and stock options. Dividends and net income per American Depositary Share are computed on the basis of each American Depositary Share representing five shares of common stock. The calculation of basic and diluted income per share is presented in Note 23.

Revenue Recognition

SANYO recognizes revenue when delivery has occurred or services have been rendered, the sales price is fixed or determinable, persuasive evidence of an arrangement exists, and the collectibility of the resulting receivable is reasonably assured.

Revenue for direct finance leases is recognized over the lease term. Unrealized lease revenue is amortized by the interest method.

The Company accounts for sales incentives as a reduction of revenue, in accordance with Emerging Issues Task Force ("EITF") Issue No.01-9, "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products."

Reclassifications

Certain reclassifications of previously reported amounts have been made to the consolidated financial statements for the years ended March 31, 2006 and 2005 to conform them to the current year presentation.

New Accounting Pronouncements

(1)FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109"

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 will not have a material impact on SANYO's consolidated results of operations and financial position.

(2)Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157")

In September 2006, the FASB issued SFAS 157, "Fair Value Measurements." SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. SANYO is currently evaluating the effect of the adoption of SFAS 157 to SANYO's consolidated results of operations and financial position.

(3)SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158")

In September 2006, the FASB issued SFAS 158. SFAS 158 requires plan sponsors of defined benefit pension and other postretirement benefit plans (collectively, "postretirement benefit plans") to recognize the funded status of their postretirement benefit plans in the consolidated balance sheet, measure the fair value of plan assets and benefit obligations as of the date of the fiscal year-end consolidated balance sheet, and provide additional disclosures. On March 31, 2007, SANYO adopted the recognition and disclosure provisions of SFAS 158. The effect of adopting SFAS 158 on SANYO's financial position at March 31, 2007 has been included in the accompanying consolidated financial statements. SFAS 158 did not have an effect on SANYO's consolidated financial position at March 31, 2006. SANYO is currently assessing the impact of the adoption of SFAS 158's provisions which is effective for fiscal years beginning after December 16, 2007, regarding the change in the measurement date of postretirement benefit plans on SANYO's consolidated results of operations and financial position. See Note 14 for further discussion of the effect of adopting SFAS 158 on SANYO's consolidated financial statements.

(4)SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115" ("SFAS 159")

In February 2007, the FASB issued SFAS 159. SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. SANYO is currently evaluating an effect of the adoption of SFAS 159 on SANYO's consolidated results of operations and financial position.

3 UNITED STATES DOLLAR AMOUNTS

The U.S. dollar amounts included in the consolidated financial statements and notes thereto for the year ended March 31, 2007 represent the arithmetical results of translating yen to dollars on the basis of ¥118 = US$1, the approximate effective rate of exchange at March 31, 2007.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities have been or could be readily converted, realized or settled in dollars at ¥118 = US$1 or at any other rate.

4 DISCONTINUED OPERATIONS

In order to improve management efficiency by concentrating resources in core businesses, the Company sold a part of its shares in its subsidiary, SANYO Electric Credit Co., Ltd. ("SECR"), to Mars Equity Co., Ltd. and Rivulet Co., Ltd., which are affiliates of the Goldman Sachs Group Inc., on December 27, 2005.

As a result, the Company's ownership in SECR decreased from 52.36% to 19.13%, and the Company ceased to consolidate SECR.

SECR operated a leasing, installment sales and financing business of office devices, equipment, IT devices and home appliances.

For the year ended March 31, 2006 in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived assets," SANYO presented the results of discontinued operations as a separate line item in the consolidated statements of operations.

Summarized selected financial information for the years ended March 31, 2006 and 2005 for the discontinued operations reclassified during the year ended March 31, 2006 are as follows:

	Millions of yen	
	2006	2005
Net sales and other operating revenue	¥ 54,862	¥ 25,201
Costs and expenses	48,219	18,121
Income (Loss) before income taxes from discontinued operations (including ¥595 million of loss on sales of discontinued operations for the year ended March 31, 2006)	(1,882)	3,372
Income taxes	3,449	2,010
Income (Loss) from discontinued operations	(5,331)	1,362

In addition, STV Partners, a wholly-owned subsidiary of General Electric Company, launched a tender offer bid for SECR's remaining outstanding stock in March 2007 and the Company responded to the offer by selling all remaining stock that it held in May 2007.

5 SECURITIZATIONS OF TRADE RECEIVABLES

For each of the three years ended March 31, 2007, the Company and its subsidiaries sold trade receivables mainly to a trust bank which securitized these receivables. In these securitizations, the Company and its subsidiaries retained servicing responsibility. No servicing asset or liability has been recorded because the fees for servicing the receivables approximate market servicing fees. In addition, the Company and its subsidiaries retained subordinated interests which amounted to ¥1,485 million (US$12,585 thousand), and ¥1,253 million as of March 31, 2007 and 2006, respectively. During the years ended March 31, 2007, 2006 and 2005, proceeds from the sale of trade receivables were ¥30,383 million (US$257,483 thousand), ¥92,710 million and ¥55,935 million, respectively, and losses were ¥53 million (US$449 thousand), ¥185 million and ¥19 million, respectively.

6 RESTRICTED CASH

As of March 31, 2007, SANYO had ¥88,000 million (US$745,763 thousand) in restricted cash, which was held in trust. The cash balance comprised of proceeds from the preferred stock issuance of ¥300,000 million completed on March 14, 2006. During the year ended March 31, 2007, ¥176,800 million (US$1,498,305 thousand) was used for the spin-off of SANYO Semiconductor Co., Ltd., various investments, and research and development costs. For the year ended March 31, 2006, ¥35,200 million was used for investments or research and development costs related to Core Businesses which is necessary for SANYO's growth strategy based on the Medium-term Management Plan.

7 INVENTORIES

Inventories at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Finished products	¥ 185,487	¥ 180,616	$1,571,924
Work in process	48,068	39,984	407,356
Raw materials	95,553	97,294	809,771
	¥ 329,108	¥ 317,894	$2,789,051

8 INVESTMENTS AND ADVANCES

Summarized financial information for affiliates accounted for by the equity method are as follows:

At March 31, 2007, some of the principal affiliates are NTT DATA SANYO SYSTEM CORPORATION, SANYO Homes Corporation and SANYO ELECTRIC(TAIWAN) CO., LTD. in which the Company has a 50.0%, 35.0% and 46.6% equity ownership interest, respectively.

	Millions of Yen		Thousands of U.S. Dollars
At March 31, 2007 and 2006	2007	2006	2007
Current assets	¥ 188,075	¥ 300,929	$ 1,593,856
Non-current assets	90,764	163,329	769,186
Total assets	278,839	464,258	2,363,042
Current liabilities	136,149	251,395	1,153,805
Non-current liabilities	29,070	68,420	246,356
Total liabilities	165,219	319,815	1,400,161
Net assets	¥ 113,620	¥ 144,443	$ 962,881
SANYO's investments in affiliates	¥ 45,684	¥ 55,626	$ 387,152
SANYO's advances to affiliates	4,102	2,389	34,763
SANYO's allowance for doubtful accounts in affiliates	(606)	(618)	(5,136)

	Millions of Yen			Thousands of U.S. Dollars
Years ended March 31, 2007, 2006 and 2005	2007	2006	2005	2007
Results of operations:				
Net sales	¥ 512,043	¥ 589,971	¥ 349,076	$ 4,339,347
Net loss	(17,058)	(24,548)	(3,479)	(144,559)
SANYO's equity in affiliates:				
Net income (loss)	¥ (15,190)	¥ (14,241)	¥ 736	$ (128,729)
Cash dividends	2,537	1,766	719	21,500
Transactions with affiliates:				
Sales to	¥ 84,370	¥ 76,025	¥ 148,919	$ 715,000
Purchases from	61,070	64,775	82,227	517,542
Number of affiliated companies at March 31				
In Japan	40	43	18	
Outside Japan	30	30	9	
Total	70	73	27	

The aggregate carrying amount and market value of investments in affiliates for which a quoted market price is available as at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Carrying amount	¥ 11,720	¥ 11,742	$ 99,322
Market value	21,153	15,533	179,263

9 INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities included in securities (current assets) and in securities and other investments (non-current assets) at March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen							
	2007				2006			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:								
Debt securities	¥ —	¥ —	¥ —	¥ —	¥ 6,225	¥ 6,421	¥ 237	¥ 41
Equity securities	38,680	61,207	22,817	290	45,988	67,537	22,941	1,392
	38,680	61,207	22,817	290	52,213	73,958	23,178	1,433
Held-to-maturity:								
Debt securities	4,222	3,955	4	271	5,132	4,868	0	264
	4,222	3,955	4	271	5,132	4,868	0	264
Total investments in debt and equity securities	¥ 42,902	¥ 65,162	¥ 22,821	¥ 561	¥ 57,345	¥ 78,826	¥ 23,178	¥ 1,697

	Thousands of U.S. Dollars			
	2007			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:				
Debt securities	$ —	$ —	$ —	$ —
Equity securities	327,796	518,703	193,364	2,458
	327,796	518,703	193,364	2,458
Held-to-maturity:				
Debt securities	35,780	33,517	34	2,296
	35,780	33,517	34	2,296
Total investments in debt and equity securities	$363,576	$552,220	$193,398	$ 4,754

Contractual maturities of investments in debt securities classified as available-for-sale securities and held-to-maturity securities at March 31, 2007 are summarized as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Available-for-sale		Held-to-maturity		Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	¥ —	¥ —	¥ —	¥ —	$ —	$ —	$ —	$ —
Due after 1 year through 5 years	—	—	640	644	—	—	5,424	5,458
Due after 5 years	—	—	3,582	3,311	—	—	30,356	28,059
	¥ —	¥ —	¥4,222	¥3,955	$ —	$ —	$35,780	$33,517

The proceeds from the sale of available-for-sale securities for the years ended March 31, 2007, 2006 and 2005 were ¥16,160 million (US$136,949 thousand), ¥99,837 million and ¥34,936 million, respectively. The gross realized gains and losses on those sales were ¥6,174 million (US$52,322 thousand) and ¥23 million (US$195 thousand), respectively, for the year ended March 31, 2007, ¥38,613 million and ¥1,230 million, respectively, for the year ended March 31, 2006, and ¥10,921 million and ¥11 million, respectively, for the year ended March 31, 2005.

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2007, are as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Less than 12 Months		12 Months or More		Less than 12 Months		12 Months or More	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale:								
Debt securities	¥ —	¥ —	¥ —	¥ —	$ —	$ —	$ —	$ —
Equity securities	1,912	290	—	—	16,204	2,458	—	—
	1,912	290	—	—	16,204	2,458	—	—
Held-to-maturity:								
Debt securities	3,260	271	—	—	27,627	2,296	—	—
	3,260	271	—	—	27,627	2,296	—	—
Total investments in debt and equity securities	¥ 5,172	¥ 561	¥ —	¥ —	$ 43,831	$ 4,754	$ —	$ —

The aggregate cost of non-marketable equity securities accounted for using the cost method totaled ¥12,095 million (US$102,500 thousand) and ¥12,912 million at March 31, 2007 and 2006, respectively. SANYO did not identify any events or changes in circumstances that might have had a significant adverse effect on the fair value of these investments.

10 ASSETS HELD FOR SALE

For the year ended March 31, 2007, the following assets held for sale are included in property, plant and equipment:

Area	Location	Carrying Amount: Millions of Yen	Carrying Amount: Thousands of U.S. dollars	Description
Ashikaga site	Ashikaga City, Tochigi Pref.	¥ 1,289	$ 10,924	Land, buildings and other properties
Leaseholds	Takatsuki City, Osaka Pref.	979	8,297	Land, buildings and other properties

Land, buildings and other properties in the Ashikaga area became idle after the closure of Ashikaga factory in October 2003. The Company intended to use these assets for other purposes but has not found suitable alternative uses. Accordingly, the Company decided to sell these assets to a third party during the next fiscal year.

In addition, the Company is planning to sell certain other assets which belong to the headquarters during the next fiscal year in accordance with the Medium-term Management Plan.

The Company completed the evaluation of the carrying amounts of these assets and recognized impairment losses of ¥818 million (US$6,932 thousand) in the year ended March 31, 2007. The impairment losses are included in “Other expenses” in the consolidated statements of operations (Note 25).

11 LEASES

SANYO has capital and operating leases for certain machinery, equipment and office space. At March 31, 2007 and 2006, the gross amount of machinery and equipment recorded under capital leases amounted to ¥60,498 million (US$512,695 thousand) and ¥73,813 million, respectively and the related accumulated depreciation was ¥45,287 million (US$383,788 thousand) and ¥43,053 million, respectively. Rental expenses associated with operating leases amounted to ¥2,755 million (US$23,347 thousand) and ¥1,846 million for the years ended March 31, 2007 and 2006, respectively.

Future minimum lease payments under capital leases and non-cancelable operating leases at March 31, 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Years ending March 31	Capital Leases	Operating Leases	Capital Leases	Operating Leases
2008	¥ 12,123	¥ 1,794	$ 102,737	$ 15,203
2009	3,588	965	30,407	8,178
2010	2,810	530	23,813	4,492
2011	3,280	334	27,797	2,830
2012	2,526	93	21,407	788
Thereafter	754	155	6,390	1,314
Total minimum lease payments	25,081	¥ 3,871	212,551	$ 32,805
Less amount representing interest	2,954		25,034	
Present value of net minimum lease payments	22,127		187,517	
Less current portion	9,397		79,636	
Long-term capital lease obligations	¥ 12,730		$ 107,881	

12 GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the years ended March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Balance at beginning of year	**¥ 2,641**	¥ 2,641	**$ 22,381**
Goodwill acquired during the year	**—**	—	**—**
Impairment loss	**—**	—	**—**
Balance at end of year	**¥ 2,641**	¥ 2,641	**$ 22,381**

Intangible assets not subject to amortization principally consist of land leaseholds and telephone rights with carrying amounts of ¥2,272 million (US$19,254 thousand),¥2,792 million at March 31, 2007 and 2006, respectively.

Intangible assets, excluding goodwill, subject to amortization at March 31, 2007 and 2006 are as follows:

	Millions of Yen			
	2007		2006	
	Gross Carrying Amounts	Accumulated Amortization	Gross Carrying Amounts	Accumulated Amortization
Software	**¥ 51,039**	**¥ 32,646**	¥ 46,668	¥ 27,225
Other	**1,479**	**400**	1,984	739
Total	**¥ 52,518**	**¥ 33,046**	¥ 48,652	¥ 27,964

	Thousands of U.S. Dollars	
	2007	
	Gross Carrying Amounts	Accumulated Amortization
Software	**$ 432,534**	**$ 276,661**
Other	**12,534**	**3,390**
Total	**$ 445,068**	**$ 280,051**

Estimated weighted average useful lives of software used for computing depreciation is 5 years.

Amortization expenses for the years ended March 31, 2007, 2006, and 2005 were ¥6,302 million (US$53,407 thousand), ¥8,008 million and ¥9,856 million, respectively. Estimated amortized expenses for the next five years ending March 31 are ¥6,033 million in 2008, ¥4,588 million in 2009, ¥2,881 million in 2010, ¥1,885 million in 2011, and ¥1,227 million in 2012, respectively.

13 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans, which are principally uncollateralized, include bank overdrafts and trade acceptances payable of foreign subsidiaries. The amount of unused lines of credit was approximately ¥614,000 million (US$5,203,390 thousand) and ¥657,000 million at March 31, 2007 and 2006, respectively.

Short-term borrowings at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Short-term bank loans with weighted average interest rate of 2.62% and 2.21% at March 31, 2007 and March 31, 2006, respectively	¥219,785	¥264,441	$1,862,585
	¥219,785	¥264,441	$1,862,585

Long-term debt at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Loans, principally from banks and insurance companies with interest rates ranging from 0% to 9.50%, due 2007 to 2019 at March 31, 2007 and due 2006 to 2019 at March 31, 2006, respectively:			
Collateralized (Note a)	¥ 362	¥ 871	$ 3,068
Uncollateralized (Note b)	231,130	297,974	1,958,729
Uncollateralized bonds (Note c):			
3.10% bonds due May 2007	20,000	20,000	169,492
3.35% bonds due May 2009	30,000	30,000	254,237
2.325% bonds due June 2008	20,000	20,000	169,492
1.82% bonds due August 2007	30,000	30,000	254,237
0.78% bonds due May 2007	30,000	30,000	254,237
1.25% bonds due May 2009	20,000	20,000	169,492
0.53% bonds due June 2010	20,000	20,000	169,492
0.82% bonds due June 2013	10,000	10,000	84,746
1.52% bonds due August 2011	30,000	30,000	254,237
2.02% bonds due August 2014	30,000	30,000	254,237
1.04% bonds issued by a subsidiary due October 2008	2,000	2,000	16,949
1.20% bonds issued by a subsidiary due August 2009	300	300	2,542
Capital lease obligations	22,127	33,586	187,516
	495,919	574,731	4,202,703
Less: amount due within one year	155,221	74,297	1,315,432
	¥340,698	¥500,434	$2,887,271

Notes: (a) These loans are collateralized by property, plant and equipment belonging to the Company's subsidiaries with a book value of ¥1,445 million (US$12,246 thousand).
(b) Substantially all of the uncollateralized loan agreements permit the lender to require collateral or guarantors for such loans.
(c) The Company and certain subsidiaries which issue bonds may not pledge their property or assets for any future borrowings without granting the same or equivalent collateral to the bondholders.

The aggregate annual maturities of long-term debt at March 31, 2007 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 51,176	$ 433,695
2010	96,903	821,212
2011	29,120	246,780
2012	86,132	729,932
2013 and thereafter	77,367	655,652
	¥ 340,698	$2,887,271

Financial covenant

Under our syndicated loan agreement, the outstanding balance of which loan is ¥100,000 million (US$847,458 thousand) at March 31, 2007, the Company commits to maintain at least a BBB^- rating for long term debt rated by either "Rating and Investment Information, Inc." or "Japan Credit Rating Agency, Ltd." If the commitment is violated, the Company must repay the loan on the request of the creditors.

Related to the loan commitment agreement, no amount was utilized at March 31, 2007, the balance available is ¥100,000 million (US$847,458 thousand), the Company commits to maintain at least a BBB^- rating for long term debt rated by either "Rating and Investment Information, Inc." or "Japan Credit Rating Agency, Ltd." If the commitment is violated, the Company must repay the loan on the request of the creditors and the obligation of the creditors to provide loans to the Company is exempted.

14 SEVERANCE AND PENSION PLANS

Employees who terminate their service with the Company or its principal domestic subsidiaries are, under most circumstances, entitled to lump-sum payments or an annuity determined by reference to current basic rates of pay, retirement benefit points, length of service and conditions under which the terminations occur.

The Company and its principal subsidiaries also provide retirement benefits for their directors which accrued pension cost amounted to ¥1,446 million (US$12,254 thousand) and ¥1,506 million, respectively, in the fiscal years ended March 31, 2007 and 2006.

Some subsidiaries in the U.S. and others have adopted defined contribution pension plans in order to provide retirement benefits.

Some overseas subsidiaries have adopted defined benefit pension plans. Their combined projected benefit obligation are ¥9,161 million (US$77,636 thousand) and ¥12,066 million, accrued pension cost are ¥2,288 million (US$19,390 thousand) and ¥4,331 million, and plan assets are ¥6,873 million (US$58,246 thousand) and ¥5,176 million in the fiscal years ended March 31, 2007 and 2006, respectively.

In the fiscal year ended March 31, 2007, the Company and some of its subsidiaries abolished the Outplacement Support System through which in addition to the normal retirement pay, the Company and some of its subsidiaries offered certain supporting additional pay upon retirement in accordance with ages and other terms under structural transformation.

The Company introduced a preferential transitional program whereby in addition to the normal retirement pay, certain supporting additional pay based on the Outplacement Support System are paid to those employees who request outplacement support service, regardless of any specific conditions, such as having received a personnel relocation order requiring a change of residence for regular employees who are 50 or older with 10 or more years of service.

With the introduction of these transitional program, a total of 967 employees requested outplacement support service, and their retirements reduced the projected benefit obligation by ¥11,280 million (US$ 95,593 thousand) during the fiscal year ended March 31, 2007.

In the fiscal year ended March 31, 2006, SANYO aimed to reduce approximately 10,000 employees as a cost reduction measure in accordance with reform plan based on "SANYO EVOLUTION PROJECT." As the result of implementing the measure, the Company achieved the aim by during the fiscal year ended March 31, 2006 was able to reduce the workforce mainly in the semiconductor and electrical device businesses and by the deconsolidation of SANYO Electric Credit Co., Ltd.

As a result of the partial closure of a factory of a domestic subsidiary in the semiconductor business, SANYO recognized a curtailment of its benefit plan and recorded an additional provision and actuarial losses of ¥135 million and ¥135 million, respectively.

Severance and pension costs of the Company and its principal domestic subsidiaries include the following components for the years ended March 31, 2007, 2006 and 2005:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	**2007**
Service cost	**¥ 14,019**	¥ 14,313	¥ 15,351	**$ 118,805**
Interest cost	**9,891**	11,974	13,496	**83,822**
Expected return on plan assets	**(7,875)**	(4,691)	(4,763)	**(66,737)**
Amortization:				
Net transition obligation at date of adoption	**—**	549	824	**—**
Prior service benefit	**(1,844)**	(1,844)	(1,844)	**(15,627)**
Actuarial losses	**13,366**	12,627	10,177	**113,271**
Net periodic benefit cost	**¥ 27,557**	¥ 32,928	¥ 33,241	**$ 233,534**

Assumptions of the Company and its principal domestic subsidiaries used in determining the net periodic benefit cost for the years ended March 31, 2007, 2006 and 2005 are as follows:

	2007	2006	2005
Discount rate	**2.0-3.0%**	2.0-2.5%	2.0-3.0%
Long-term rate of salary increase	**2.6%**	3.4%	3.1%
Long-term rate of return on plan assets	**2.0-3.8%**	2.0-3.0%	2.0-3.0%

The long-term rate of return on plan assets is based on the projected and actual return on each pension fund.

The following table sets forth the changes in the projected benefit obligation, plan assets and funded status of the Company and its principal domestic subsidiaries at March 31, 2007 and 2006:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥481,879**	¥494,299	**$ 4,083,720**
Divestitures	**—**	(12,362)	**—**
Service cost	**14,019**	14,313	**118,805**
Interest cost	**9,891**	11,974	**83,822**
Plan participants' contributions	**400**	441	**3,390**
Actuarial gain (loss)	**(24,650)**	21,098	**(208,898)**
Benefits paid	**(50,969)**	(47,884)	**(431,941)**
Benefit obligation at end of year	**430,570**	481,879	**3,648,898**
Change in plan assets:			
Fair value of plan assets at beginning of year	**217,561**	192,195	**1,843,737**
Divestitures	**—**	(5,501)	**—**
Actual return on plan assets	**10,034**	26,976	**85,034**
Employer contributions	**22,232**	21,876	**188,406**
Plan participants' contributions	**400**	441	**3,390**
Benefits paid	**(32,634)**	(18,426)	**(276,559)**
Fair value of plan assets at end of year	**217,593**	217,561	**1,844,008**
Funded status:			
Benefit obligation in excess of plan assets	**212,977**	264,318	**1,804,890**
Unrecognized net transition obligation at date of adoption	**—**	(3,169)	**—**
Unrecognized prior service cost	**—**	29,675	**—**
Unrecognized actuarial loss	**—**	(194,672)	**—**
Net amount recognized	**¥212,977**	¥ 96,152	**$ 1,804,890**

The measurement dates of the retirement benefit obligation and fund assets as of March 31, 2007 and 2006 are December 31, 2006 and 2005, respectively.

Assumptions of the Company and its principal domestic subsidiaries used in determining the benefit obligations as of March 31, 2007 and 2006 are as follows:

	2007	2006
Discount rate	**2.0-3.0%**	2.0-3.0%
Long-term rate of salary increase	**2.5%**	2.6%

The incremental effects of adopting the provisions of SFAS 158 on the accompanying consolidated balance sheets at March 31, 2007 are presented in the following table.

The adoption of SFAS 158 had no effect on the consolidated statements of operations for the year ended March 31, 2007, or for any prior period presented, and will not effect SANYO's operating results in future periods.

	Millions of Yen		
	Before Application of Statement 158	Adjustments	After Application of Statement 158
Assets:			
Deferred income taxes (non-current)	¥ 13,623	¥ 298	¥ 13,921
Total assets	1,970,642	298	1,970,940
Liabilities:			
Other liabilities	63,457	5,538	68,995
Total current liabilities	1,069,350	5,538	1,074,888
Accrued pension and severance costs	146,092	65,081	211,173
Total liabilities	1,564,467	70,619	1,635,086
Minority interests in subsidiaries:			
Minority interests in subsidiaries	23,720	126	23,846
Stockholders' equity:			
Accumulated other comprehensive loss	(80,727)	(70,447)	(151,174)
Total stockholders' equity	382,455	(70,447)	312,008
Total liabilities and stockholders' equity	1,970,642	298	1,970,940

	Thousands of U.S. Dollars		
	Before Application of Statement 158	Adjustments	After Application of Statement 158
Assets:			
Deferred income taxes (non-current)	$ 115,450	$ 2,525	$ 117,975
Total assets	16,700,356	2,525	16,702,881
Liabilities:			
Other liabilities	537,771	46,932	584,703
Total current liabilities	9,062,288	46,932	9,109,220
Accrued pension and severance costs	1,238,068	551,534	1,789,602
Total liabilities	13,258,195	598,466	13,856,661
Minority interests in subsidiaries:			
Minority interests in subsidiaries	201,017	1,068	202,085
Stockholders' equity:			
Accumulated other comprehensive loss	(684,127)	(597,009)	(1,281,136)
Total stockholders' equity	3,241,144	(597,009)	2,644,135
Total liabilities and stockholders' equity	16,700,356	2,525	16,702,881

The estimated prior service cost and actuarial loss of the Company and its principal domestic subsidiaries for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Prior service benefit	¥ (1,844)	$ (15,627)
Actuarial loss	7,754	65,712

The accumulated benefit obligations of the Company and its principal domestic subsidiaries at March 31, 2007 and 2006 are ¥359,951 million (US$3,050,432 thousand) and ¥398,693 million, respectively. There is no pension fund in which the fair value of plan assets exceeds the accumulated benefit obligation. The estimated contribution amount to fund assets by the Company and its principal domestic subsidiaries for the year ending March 31, 2008 is ¥23,303 million (US$197,483 thousand).

Amounts of the Company and its principal domestic subsidiaries recognized in the consolidated balance sheets at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Other liabilities	¥ 5,538	¥ —	$ 46,932
Accrued pension and severance costs	207,439	181,132	1,757,958
Minimum pension liability included in accumulated other comprehensive income, gross of tax	—	(84,980)	—
Net amount recognized	¥ 212,977	¥ 96,152	$1,804,890

Amounts of the Company and its principal domestic subsidiaries recognized in stockholders' equity at March 31, 2007 are as follows:

	2007	
	Millions of Yen	Thousands of U.S. Dollars
Prior service benefit	¥ 27,832	$ 235,864
Actuarial loss	(156,263)	(1,324,263)
Pension Liability Adjustments included in accumulated other comprehensive income, gross of tax	(128,431)	(1,088,399)
Tax impact	312	2,644
Pension Liability Adjustments included in accumulated other comprehensive income, after tax	(128,119)	(1,085,755)

Future benefit payments of the Company and its principal domestic subsidiaries are expected as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 22,823	$ 193,415
2009	24,400	206,780
2010	23,643	200,364
2011	25,207	213,619
2012	25,497	216,076
2013 - 2017	106,501	902,551

As of March 31, 2007 and 2006, the Company and its principal domestic subsidiaries' fund assets consist of the following components:

	2007	2006
Equity securities	50%	53%
Debt securities	13%	14%
General accounts of life insurance company	13%	13%
Others	24%	20%
	100%	100%

SANYO's investment policy for plan assets is designed to secure sufficient plan assets to provide future payments of pension benefit to beneficiaries.

Fund assets are employed by taking into consideration the long-term rate of return, based on the most suitable combination of basic portfolio, i.e., equity securities or debt securities.

The basic portfolio is determined by the medium-long term point of view. If amendment is needed to achieve the long-term rate of return, SANYO reexamines the basic portfolio as necessary.

15 STOCK OPTION PLANS

The Company has three stock option plans to provide for grants of options to purchase shares of common stock for all its directors, internal auditors, operating officers and certain key employees. The options granted are vest over two years and are exercisable over a maximum of two years after vesting.

A summary of stock option plan activity for the years ended March 31, 2007, 2006 and 2005 are as follows:

	Number of Options (shares)	Weighted Average Exercise Price	
		Yen	U.S. Dollars
Options outstanding at March 31, 2004	5,943,000	¥ 645	
Granted	3,094,000	455	
Exercised	—	—	
Canceled	—	—	
Expired	(1,029,000)	977	
Options outstanding at March 31, 2005	8,008,000	529	
Granted	—	—	
Exercised	—	—	
Canceled	—	—	
Expired	(1,012,000)	826	
Options outstanding at March 31, 2006	6,996,000	486	
Granted	—	—	—
Exercised	—	—	—
Canceled	—	—	—
Expired	(1,493,000)	558	4.73
Options outstanding at March 31, 2007	5,503,000	¥ 466	$ 3.95
Options exercisable :			
At March 31, 2005	2,505,000	¥ 666	$ 5.64
At March 31, 2006	3,902,000	510	4.32
At March 31, 2007	5,503,000	466	3.95

The following table summarizes information about stock options outstanding at March 31, 2007:

Range of Exercise Prices	Weighted Average Remaining Contractual Life
¥455 to ¥481	1.7 years

16 COMMITMENTS AND CONTINGENT LIABILITIES

Commitments outstanding at March 31, 2007 for the purchase of property, plant and equipment amounted to ¥11,828 million (US$100,237 thousand).

In the Component business segment, the Company entered into purchase agreements, in which they have agreed to purchase certain material until 2018. In accordance with these agreements, the Company will purchase such material amounting to ¥70,875 million (US$600,636 thousand) in total.

Contingent liabilities at March 31, 2007 for notes discounted in the ordinary course of business and other loans guaranteed amounted to ¥3,286 million (US$27,847 thousand) and ¥18,530 million (US$157,034 thousand), respectively. No material loss is anticipated by management as a result of these discounted notes and guaranteed loans.

SANYO guarantees the quality or performance of its products and services for a certain period. The movements in the provision for warranty costs for the years ended March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Balance at beginning of year	¥ 4,866	¥ 5,538	$ 41,237
Provision for the warranty costs added during the period	6,984	4,407	59,186
Warranty paid during the period	(4,107)	(5,236)	(34,805)
Adjustment	124	157	1,051
Balance at end of year	¥ 7,867	¥ 4,866	$ 66,669